CSC & Co
Chartered Accountants

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To the Shareholders of Butwal Power Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (together referred to as "the Group"), its associates and joint ventures, which comprise the consolidated statement of financial position as at 15 July 2020, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other information of the subsidiaries, associates and joint ventures, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group, its associates and joint ventures as at 15 July 2020, their consolidated total comprehensive income, consolidated cash flows and consolidated statement of changes in equity for the year then ended, in accordance with Nepal Financial Reporting Standards (NFRS).

Basis of Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended 15 July 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matters
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 14 "Other Financial Assets" and Note 33 "Contingent Liabilities and Commitments" of the financial statements)	
Andhikhola Hydropower Project was upgraded to 9.5 MW from 5.1 MW with Commercial Operation Date on April 5, 2015. The Group has considered an additional 4.3 MW project in Andhikhola as a separate project on the basis of a separate PPA agreement. It has calculated and paid a royalty for this new project to the Department of Electricity Development (DoED) on a revised rate @ NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. However, DoED has been claiming the additional Royalty @ NPR 1000 per installed capacity in KW and 10% of revenue from electricity sales. During the year, DoED has instructed the Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the Group. As of Ashadh 31 2077, NEA has deducted NPR 25,088,251 from the Group's receivable balance and paid the amount to DoED. The Group has obtained legal advice on this matter and planning	• We have evaluated the design and operating controls in relation to compliance with applicable laws and regulations. • We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels. • In respect of provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/contingent liability assessment; we reviewed the assumptions against third party data (wherever available) and

Key Audit Matters	How our audit addressed the key audit matters
for the legal proceeding as suggested by the Group's legal counsel. There's a risk that the Group's claim will not substantiate in the court and the liability on account of royalty would increase by an approximate amount of NPR 35.7 million considering the period since commencement date till Ashadh end 2077.	assessed the estimates against historical trends. We considered management's judgments on the level of provision/recognition of contingent liability as appropriate.
Impairment of Investments in Kabeli Energy Limited and Gurans Energy Limited (Refer Note 6 "Investment in Associates and Joint Ventures" of the financial statements)	
The Group has effective holding of 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through associate company Gurans Energy Limited (GEL) and as on Ashadh 31, 2076, the Group has invested about NPR 71 crores in the project. This project is halted since December 2018 due to a dispute with the contractor (Zhejiang) and the agreement with the contractor has been terminated in April 2019. Recently, the Government of Nepal has awarded the Tamor hydropower project which will reduce the capacity of the Kabeli-A project. The Government may compensate the project for such impact but if the project does not progress from the current stage, then the position to claim the compensation will be weakened. So, considering the above situation, there is significant doubt about the successful completion of the Kabeli-A project in near future. The Group has booked an impairment loss of 40% of net investment value (amounting to NPR 246,301,842) considering the status, future prospects, carrying value of the project, and management's best judgment. The appointment of an expert has not been done yet due to the COVID-19 pandemic.	• We evaluated the reasonableness of impairment loss booked by the Group and the key assumptions in respect of status, future prospects, and carrying value of the project. • We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project. • We have also assessed the adequacy of the disclosures made in the standalone financial statements
Recoverability of Advances (Refer Note 14 "Other Financial Assets (Current and Non-current)" of the financial statements)	
As on Ashadh 31, 2077, an advance of NPR 21 crore to Mr. Harish Chandra Shah (Shareholder of SC Power) and NPR 1.5 crore to SC Power Pvt Ltd is outstanding as receivables in the books of the group. These advances were provided to purchase a share of SC Power Pvt. Ltd., the developer of 440MW Tila-I and 420MW Tila-II hydropower projects. Due to various reasons, the 337th Board meeting dated 12th April 2019 of BPCL-holding company, had resolved unanimously to exit from the process of acquisition of shares of SC Power and to get reimbursement or refund of the advance. The Group has been conducting regular discussions with concerned parties through the recovery committee. The Group has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Group's legal counsel.	• We inquired from management and those charged with governance about the recoverability status and reviewed communication received from the party. • We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels. • We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the Consolidated Financial Statements and our auditors' report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance 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

CSC & Co. Kathmandu Chartered Accountants is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ability of the Group, its associates and joint ventures, to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group, its associates and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group, its associates and joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CSC & Co. Kathmandu Chartered Accountants

Other Matters

- We did not audit the financial statements and other financial information, in respect of 2 subsidiaries, whose financial statement reflects total assets of NPR 491.22 million as at 15th July 2020, total revenue of NPR 63.39 million and net cash (inflows) of 6.18 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors, of which financial statement, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statement, in so far as it relates to these subsidiaries, is based solely on the reports of such other auditors.
- The accompanying consolidated financial statements included unaudited financial statements and other unaudited financial information in respect of one subsidiary company "Nepal Hydro & Electric Limited (NHE)", whose financial statement reflect total assets of NPR 803.76 million as at 15th July 2020 and total revenue of NPR 938.06 million for the year ended on that date and unaudited financial statements and other unaudited financial information in respect of 5 associates and 6 joint ventures which reflects Group's share of net profit of NPR 15.03 million. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, associates and joint ventures, is based solely on such unaudited financial statements and unaudited financial information

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors.

Report on Other Legal and Regulatory Requirements

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the consolidated financial statement of financial position, total comprehensive income, cash flows and changes in equity have been prepared in accordance with the provisions of Companies Act, 2063 and conform to the books of accounts of the group and such books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the Group, has acted deliberately contrary to the provisions of the law or caused loss or damage to the Group or misappropriated funds of the Group, nor have we been informed of any such case by the management.

CSC & Co. Kathmandu Chartered Accountants

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Place: Kathmandu
Date: December 18, 2020
UDIN: 201221CA00264ptClc

Butwal Power Company Limited
Consolidated Statement of Financial Position
As at 31st Ashadh 2077 (15 July 2020)

Figures in NPR

	Note	As at 31st Ashadh 2077	As at 31st Ashadh 2076*
ASSETS			
Non-Current Assets			
Property, plant and equipment	*3*	484,073,246	524,733,718
Capital work-in-progress	*3*	26,076,777	24,688,572
Intangible assets	*4*	2,664,566,830	2,733,591,015
Intangible assets under development	*5*	3,653,127,395	2,304,997,379
Project work-in-progress	*7*	264,784,649	220,373,448
Financial assets			
Investment in associates and joint ventures	*8*	1,264,032,158	1,495,099,530
Other investments	*9*	980,646,080	1,198,632,424
Trade receivables	*13*	3,349,585	61,600,288
Other financial assets	*14*	82,490	4,912,975
Deferred tax assets	*6*	21,337,457	20,977,510
Other non-current assets	*15*	42,771,109	117,801,669
Total Non-Current Assets		**9,404,847,776**	**8,707,408,528**
Current Assets			
Inventories	*10*	106,143,314	170,459,216
Financial assets			
Trade receivables	*13*	382,530,661	621,440,519
Cash and cash equivalents	*11*	120,289,767	568,447,105
Bank balance other than cash and cash equivalents	*12*	58,349,255	91,084,398
Other financial assets	*14*	1,401,430,732	608,838,995
Other current assets	*15*	403,549,704	366,733,396
Current tax assets (net)	*6C*	49,019,150	68,842,323
Total Current Assets		**2,521,312,583**	**2,495,845,952**
Total Assets		**11,926,160,359**	**11,203,254,480**
EQUITY AND LIABILITIES			
Equity			
Equity	*16*	2,683,881,800	2,440,555,400
Other Equity	*17*	4,534,104,738	4,624,096,867
Non-controlling interest	*34*	234,035,561	219,820,396
Total Equity		**7,452,022,099**	**7,284,472,663**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	*18*	195,809,188	202,659,432
Financial liabilities			
Borrowings	*21*	2,739,204,846	1,960,336,242
Other financial liabilities	*22*	185,132,404	110,301,120
Provisions	*19*	24,172,977	16,198,905
Deferred tax liabilities	*6*	261,802,296	371,044,477
Other non-current liabilities	*23*	24,691,509	24,113,645
Total Non-Current Liabilities		**3,430,813,220**	**2,684,653,821**
Current Liabilities			
Financial liabilities			
Borrowings	*21*	412,896,456	485,866,133
Trade payables	*20*	247,862,889	102,772,146
Other financial liabilities	*22*	86,739,010	203,134,942
Provisions	*19*	11,389,496	9,136,432
Other current liabilities	*23*	284,304,874	430,256,183
Current tax liabilities (net)	*6D*	132,315	2,962,160
Total Current Liabilities		**1,043,325,040**	**1,234,127,996**
Total Liabilities		**4,474,138,260**	**3,918,781,817**
Total Equity and Liabilities		**11,926,160,359**	**11,203,254,480**

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.
The accompanying notes are an integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President, Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

Jitendra Kumar Mishra
Partner
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Chartered Accountants

Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 18, 2020
Place: Kathmandu, Nepal

Butwal Power Company Limited
Consolidated Statement of Total Comprehensive Income
For the year ended 31st Ashadh 2077 (15 July 2020)

Figures in NPR

	Note	2076-77	2075-76*
Revenue	24	3,194,352,058	3,344,626,546
Cost of Sales	25	(2,657,565,435)	(2,892,825,399)
Gross profit		**536,786,623**	**451,801,147**
Depreciation Being Revenue Portion of Grant Aid	18	7,747,316	7,681,350
Other income	27	762,922,509	589,415,320
Administrative and other operating expenses	26	(254,572,924)	(286,152,018)
Profit from Operation		**1,052,883,524**	**762,745,799**
Finance Income	28	31,651,901	159,026,664
Finance Costs	29	(86,365,246)	(84,046,864)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**998,170,179**	**837,725,599**
Share of (loss) / profit of associates and joint ventures (net) under equity method		15,034,471	(5,950,021)
Impairment loss on investment		(246,301,842)	(1,830,170)
Profit Before Tax		**766,902,808**	**829,945,408**
Income Tax Expense			
Current tax	6A	(56,178,844)	(61,997,522)
Deferred tax credit/charge	6A	55,105,543	(41,701,277)
Profit for the year		**765,829,507**	**726,246,609**
Attributable to:			
Owners of the parent		754,065,640	732,121,380
Non controlling interests		11,763,867	(5,874,771)
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		-	-
ii. Equity instruments through other comprehensive income		(217,986,344)	40,125,198
iii. Income tax relating to items that will not be reclassified to profit or loss	6B	54,496,586	(10,031,300)
Other comprehensive income/(loss) for the year, net of tax		**(163,489,758)**	**30,093,898**
Attributable to:			
Owners of the parent		(163,489,758)	30,093,898
Non controlling interests		-	-
Total Comprehensive Income/(loss) for the year, net of tax		**602,339,749**	**756,340,507**
Attributable to:			
Owners of the parent		590,575,882	762,215,278
Non controlling interests		11,763,867	(5,874,771)
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	30	28.10	30.00
Diluted Earnings per share - Rs.	30	28.10	30.00

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.
The accompanying notes are an integral part of these financial statements.

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Director

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Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 18, 2020
Place: Kathmandu, Nepal

Butwal Power Company Limited
Consolidated Statement of Cash Flows
For the year ended 31st Ashadh 2077 (15 July 2020)

Figures in NPR

	2076-77	2075-76*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	766,902,808	829,945,408
Adjustments for:		
Depreciation on property, plant and equipment	47,389,720	52,554,290
Amortization of Intangible Assets	91,406,579	90,256,584
Depreciation Being Revenue Portion of Grant Aid	(7,747,316)	(7,681,350)
Provision for employee benefits	10,227,136	8,828,914
Provision for Bonus	19,134,431	32,366,692
Finance income	(31,651,901)	(159,026,664)
Impairment of Intangible asset	4,798,854	1,585,587
Finance cost	85,162,859	82,814,718
Equity Investment Written Off	-	639,500
Amount written off	8,069,484	-
Non-Cash Income	-	(4,600,000)
Unrealized foreign exchange difference on cash and cash equivalent	(1,982,374)	71,000
Loss/ (gain) on sale of Property, plant and equipment	(147,080)	(6,571,083)
Working capital adjustments:		
(Increase)/ Decrease in Trade Receivables	297,160,561	(242,961,085)
(Increase)/ Decrease in Other Financial Assets	(767,884,128)	(101,583,961)
(Increase)/ Decrease in Other Assets	38,214,252	172,914,177
(Increase)/ Decrease in Inventories	64,315,902	(73,247,342)
Increase /(Decrease) in Trade Payables	145,090,743	47,545,716
Increase/(Decrease) in Financial Liabilities	(28,744,183)	118,145,478
Increase/(Decrease) in Other Liabilities	(162,515,778)	(49,479,493)
Cash generated from operations	**577,200,569**	**792,517,086**
Bonus paid	(31,954,895)	(23,655,002)
Income Tax Paid	(40,126,113)	(40,871,622)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**505,119,561**	**727,990,462**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	478,952	7,007,414
(Increase)/Decrease in Project work-in-progress	(44,411,201)	(13,810,744)
(Increase)/Decrease in Intangible assets under development	(1,348,130,016)	(1,180,421,178)
(Increase)/Decrease in Investment in Fixed Deposits	(20,000,000)	1,319,813,014
Interest Received	31,774,777	159,026,664
Acquisition of a Subsidiary	(1,641,147)	(564,112,737)
(Increase)/ Decrease Investment in Associates and Joint Ventures	231,067,372	(721,395,588)
(Increase)/ Decrease Other Investment	-	(728,000)
Acquisition of Property, plant and Equipment	(8,449,326)	(20,110,943)
Purchase of Intangibles	(25,540,101)	(49,027,056)
Grant Aid received/ (refunded)	897,072	1,766,101
Bank balance other than cash and cash equivalents	32,735,143	(4,000,002)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(1,151,218,475)**	**(1,065,993,055)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share Issue Cost	(300,000)	-
Issue of share in subsidiaries	-	4,425,700
Borrowing (repaid) / taken (net)	710,674,164	763,184,691
Dividend paid	(424,476,866)	(430,971,599)
Interest paid	(85,162,859)	(77,301,416)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**200,734,439**	**259,337,376**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(445,364,475)**	**(78,665,217)**
Net foreign exchange difference on cash and cash equivalents	1,982,374	(71,000)
CASH AND CASH EQUIVALENTS, Beginning of Year	532,070,124	610,806,341
CASH AND CASH EQUIVALENTS, End of Period	**88,688,023**	**532,070,124**

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

Uttar Kumar Shrestha
Chief Executive Officer

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As per our report of even date

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Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 18, 2020
Place: Kathmandu, Nepal

Butwal Power Company Limited
Consolidated Statement of Changes in Equity
For the year ended 31st Ashadh 2077 (15 July 2020)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent						Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total		
Balance at 1 Shrawan, 2075*	**2,218,672,000**	**1,767,535,318**	**18,151,841**	**148,700,000**	**537,185,824**	**2,012,558,925**	**4,484,131,908**	**230,006,897**	**6,932,810,805**
Profit for the year	-	-	-	-		732,121,380	732,121,380	(5,874,771)	**726,246,609**
Other comprehensive income	-	-	-	-	30,093,898	-	30,093,898	-	**30,093,898**
Total comprehensive income	**-**	**-**	**-**	**-**	**30,093,898**	**732,121,380**	**762,215,278**	**(5,874,771)**	**756,340,507**
Issue of share in subsidiaries	-	-	-	-	-	-	-	4,425,700	**4,425,700**
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	221,883,400	-	-	-	-	(221,883,400)	(221,883,400)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(400,521,968)	(400,521,968)	(8,582,381)	**(409,104,349)**
Transfer to Retained Earnings	-	-	-	-	-	155,049	155,049	(155,049)	-
Balance at 31st Ashadh, 2076*	**2,440,555,400**	**1,767,535,318**	**18,151,841**	**148,700,000**	**567,279,722**	**2,122,429,986**	**4,624,096,867**	**219,820,396**	**7,284,472,663**
Profit for the year	-	-	-	-	-	754,065,640	754,065,640	11,763,867	**765,829,507**
Other comprehensive income	-	-	-	-	(163,489,758)	-	(163,489,758)	-	**(163,489,758)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(163,489,758)**	**754,065,640**	**590,575,882**	**11,763,867**	**602,339,749**
Issue of share in subsidiaries	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	243,326,400	-	-	-	-	(243,326,400)	(243,326,400)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	(294,560)	(294,560)	(5,440)	**(300,000)**
Dividends to shareholders	-	-	-	-	-	(440,294,127)	(440,294,127)	(1,325,072)	**(441,619,199)**
Transfer to Retained Earnings	-	-	-	-	-	(310,099)	(310,099)	310,099	-
Prior Period Adjustment	-	-	-	-	-	3,657,175	3,657,175	3,471,711	**7,128,886**
Balance at 31st Ashadh, 2077	**2,683,881,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,195,927,615**	**4,534,104,738**	**234,035,561**	**7,452,022,099**

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President, Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 18, 2020
Place: Kathmandu, Nepal

Figures in NPR

Note no: 3
Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Total
Cost									
Balance as at 1st Shrawan 2075	100,168,949	293,672,449	102,684,218	29,086,997	68,704,777	25,222,267	73,881,913	27,274,846	**720,696,416**
Additions	1,050,000	307,361	1,747,524	4,283,835	2,737,686	4,292,669	4,975,507	875,506	**20,270,088**
Transfer from CWIP	-	2,222,610	-	-	-	-	-	(2,381,756)	**(159,146)**
Disposals	-	-	(24,317)	(116,049)	(142,974)	(378,657)	(489,995)	(1,080,024)	**(2,232,016)**
Balance at 31st Ashadh 2076	101,218,949	296,202,420	104,407,425	33,254,783	71,299,489	29,136,279	78,367,425	24,688,572	**738,575,342**
Additions	525,000	273,234	-	124,420	2,729,168	2,752,298	657,000	1,388,205	**8,449,325**
Disposals	-	-	(32,488)	(107,221)	(589,887)	(320,527)	-	-	**(1,050,123)**
Balance at 31st Ashadh 2077	101,743,949	296,475,654	104,374,937	33,271,982	73,438,770	31,568,050	79,024,425	26,076,777	**745,974,544**
Accumulated depreciation									
Balance as at 1st Shrawan 2075	-	33,680,996	25,055,594	14,934,096	32,956,851	11,474,457	19,212,429	-	**137,314,423**
Charge for the year	-	12,972,467	11,883,436	4,184,036	8,520,582	3,852,720	11,141,049	-	**52,554,290**
Disposals	-	-	(11,623)	(79,330)	(97,737)	(258,847)	(268,124)	-	**(715,661)**
Balance at 31st Ashadh 2076	-	46,653,463	36,927,407	19,038,802	41,379,696	15,068,330	30,085,354	-	**189,153,052**
Charge for the year	-	12,456,107	10,249,361	3,649,178	7,610,055	3,720,702	9,704,316	-	**47,389,719**
Disposals	-	-	(18,073)	(81,777)	(373,935)	(244,465)	-	-	**(718,250)**
Balance at 31st Ashadh 2077	-	59,109,570	47,158,695	22,606,203	48,615,816	18,544,567	39,789,670	-	**235,824,521**
Net book value									
At 1st Shrawan 2075	100,168,949	259,991,453	77,628,624	14,152,901	35,747,926	13,747,810	54,669,484	27,274,846	**583,381,993**
At 31st Ashadh 2076	101,218,949	249,548,957	67,480,018	14,215,981	29,919,793	14,067,949	48,282,071	24,688,572	**549,422,290**
At 31st Ashadh 2077	101,743,949	237,366,084	57,216,242	10,665,779	24,822,954	13,023,483	39,234,755	26,076,777	**510,150,023**

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

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

c) During the FY 2075-76, some of the assets which were already recorded under deemed costs at the first time NFRS adoption were written off by the Group's subsidiary company - HCE. The original purchase costs were reduced from gross block and accumulated depreciation instead of reducing only the deemed costs of those assets. Hence, necessary adjustment of NPR 510,037 has been made in disposal values of FY 2075-76.

Figures in NPR

Note no: 4
Intangible assets:

	Goodwill	Computer Software	Service Concession Arrangement Intangibles	Total
Cost				
Balance as at 1st Shrawan 2075	-	10,530,676	2,552,025,798	**2,562,556,474**
Additions - Externally acquired	-	-	48,180,910	**48,180,910**
Acquisition of a Subsidiary [Refer Note "c" below]	473,095,586	1,767,024	-	**474,862,610**
Transfer from CWIP	-	-	159,146	**159,146**
Adjustment during the year	-	(1,493,199)	(1,794,254)	**(3,287,453)**
Balance at 31st Ashadh 2076	473,095,586	10,804,501	2,598,571,600	**3,082,471,687**
Additions - Externally acquired	-	95,112	25,444,989	**25,540,101**
Acquisition of a Subsidiary [Refer Note "c" below]	1,641,147	-	-	**1,641,147**
Transfer from CWIP	-	-	-	-
Adjustment during the year	-	(2,040,686)	(5,602,209)	**(7,642,895)**
Balance at 31st Ashadh 2077	474,736,733	8,858,927	2,618,414,380	**3,102,010,040**
Amortisation				
Balance as at 1st Shrawan 2075	-	7,533,923	252,792,031	**260,325,954**
Charge for the year	-	1,359,197	88,897,387	**90,256,584**
Adjustment during the year	-	(1,493,199)	(208,667)	**(1,701,866)**
Balance at 31st Ashadh 2076	-	7,399,921	341,480,751	**348,880,672**
Charge for the year	-	1,251,204	90,155,375	**91,406,579**
Adjustment during the year	-	(2,040,686)	(803,355)	**(2,844,041)**
Balance at 31st Ashadh 2077	-	6,610,439	430,832,771	**437,443,210**
Net book value				
At 1st Shrawan 2075	-	2,996,753	2,299,233,767	**2,302,230,520**
At 31st Ashadh 2076	473,095,586	3,404,580	2,257,090,849	**2,733,591,015**
At 31st Ashadh 2077	474,736,733	2,248,488	2,187,581,609	**2,664,566,830**

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

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

c) On 26 March 2019, the Group acquired 100% equity shares of Mananag Marshyangdi Hydropower Company Pvt. Ltd. The company is developing 135 MW Manang Marshyandi Hydro Electric Project located on the Marshyandi River in Manang district. The total purchase consideration for such acquisition stands at NPR 565,814,937 at 31 Ashadh 2077.

Goodwill under such acquisition has been derived as

Particulars	Amount In NPR
Total Purchase Consideration	565,814,937
Less: Net Assets Acquired	(91,078,204)
Goodwill	**474,736,733**

Figures in NPR

Note: 5
Intangible assets under development

Particulars	As at 31st Ashad 2077	As at 31st Ashad 2076
Pre-operating Expenses (A)	**743,980,445**	**465,940,294**
Depreciation	17,962,210	14,721,247
Employee related cost	103,038,502	87,597,522
Other Project Operation Expenses	163,404,034	107,335,398
LEDCO Service Fee and Expenses	35,000,000	35,000,000
Licensing & Other Development Fees	8,899,100	8,899,100
Pre-Construction Interest, Commission & Fees	24,879,366	24,879,366
Interest, Commission & Fees during Construction	390,797,233	187,507,661
Land Acquisitions (B)	**33,967,346**	**33,718,908**
Land & Land Developments	33,967,346	33,718,908
Civil Works (C)	**1,845,060,306**	**1,347,778,863**
Civil Works	1,781,342,866	1,284,068,628
Access Road	28,634,345	28,634,345
Marshyangdi Bridge	32,427,420	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	2,655,675	2,648,470
Environment & Social Cost (D)	**36,566,605**	**27,422,334**
Trainings & Developments	2,062,552	1,789,919
Community & Social Expenses	19,712,677	16,102,882
Nursery and Plantation	836,464	836,464
Infrastructure Developments	13,954,912	8,693,069
Engineering & Management (E)	**259,005,968**	**221,861,331**
Engineering, Design & Development Expenses	118,275,685	122,255,243
Consultancy Fee & Expenses	135,337,579	95,547,164
Inspection & Project Supervision	5,392,704	4,058,924
Transmission Line (F)	**4,694,326**	**3,091,913**
Transmission Line Works	4,694,326	3,091,913
Hydro Mechanical Works (G)	**321,932,041**	**102,638,547**
Hydro Mechanical Works	321,932,041	102,638,547
Electro Mechanical Works (H)	**407,920,358**	**102,545,189**
Electro Mechanical Works	407,920,358	102,545,189
Total (A+B+C+D+E+F+G+H)	**3,653,127,395**	**2,304,997,379**

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 construction phase. Revenue and margin from the contraction phase cannot be estimated reliably. Hence, profit margin on construction phase is assumed to be 0% and accordingly revenue and cost during construction phase has been recognised which is equal to actual construction cost during the period.

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

Figures in NPR

Note no: 6
INCOME TAXES

A. Tax expense recognised in the Statement of Profit or Loss	**Year ended 31 Ashad, 2077**	**Year ended 31 Ashad, 2076**
Current tax		
Current income tax charge	56,178,844	59,945,519
Adjustments for under provision in prior periods	-	2,052,003
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	(55,105,543)	41,701,277
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in statement of Profit or Loss	**1,073,301**	**103,698,799**

B. Tax expense recognised in Other comprehensive income	**Year ended 31 Ashad, 2077**	**Year ended 31 Ashad, 2076**
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	(54,496,586)	10,031,300
Income tax charged to OCI	**(54,496,586)**	**10,031,300**

C. Current tax asset -net:	**Year ended 31 Ashad, 2077**	**Year ended 31 Ashad, 2076**
Advance Income Tax	132,075,608	117,189,080
Less: Income Tax Liability	(83,056,458)	(48,346,757)
Total	**49,019,150**	**68,842,323**

D. Current tax (liability) -net:	**Year ended 31 Ashad, 2077**	**Year ended 31 Ashad, 2076**
Income Tax Liability	(132,315)	(27,009,929)
Less: Advance Income Tax	-	24,047,769
Total	**(132,315)**	**(2,962,160)**

E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	**Year ended 31 Ashad, 2077**	**Year ended 31 Ashad, 2076**
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	762,599,991	885,669,726
Enacted tax rate	23.88%	23.56%
Computed tax expense	182,143,345	208,641,021
Differences due to:		
Tax effect due to non taxable income	(186,519,229)	(145,369,155)
Tax effect due to non-deductible expenses	82,953,494	17,467,149
Due to reduced tax rate on foreign income source	(360,968)	(16,677)
Effect due to additional deductible expenses	(329,470)	(92,024)
Tax effect due to difference in depreciation rate	(11,800,769)	(13,505,389)
Use of previous losses	(9,907,559)	(7,179,406)
Tax Related to Prior Period	-	2,052,003
Current tax on profits for the year	**56,178,844**	**61,997,522**

F. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2076 and 31 Ashadh, 2077:

i) Deferred Tax Assets

Movement during the year ended 31 Ashadh, 2076	**As at 1 Shrawan, 2075**	**Credit/(charge) in the Statement of Profit and Loss**	**Credit/(charge) in Other Comprehensive**	**As at 31 Ashadh, 2076**
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,317,459	290,940	-	1,608,399
Provision for gratuity	13,995,850	2,600,752	-	16,596,602
Depreciation	1,735,059	(433,584)	-	1,301,476
Provision for CSR	93,165	21,101	-	114,266
Provision for PLI	788,491	568,276	-	1,356,767
	17,930,024	**3,047,485**	**-**	**20,977,510**

Figures in NPR

Movement during the year ended 31 Ashadh, 2077	**As at 1 Shrawan, 2076**	**Credit/(charge) in the Statement of Profit and Loss**	**Credit/(charge) in Other Comprehensive**	**As at 31 Ashadh, 2077**
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,608,399	139,619	-	1,748,018
Provision for gratuity	16,596,602	-	-	16,596,602
Depreciation	1,301,476	142,101	-	1,443,577
Provision for CSR	114,266	7,964	-	122,230
Provision for PLI	1,356,767	70,264	-	1,427,030
	20,977,510	**359,948**	**-**	**21,337,457**

ii) Deferred Tax Liability

Movement during the year ended 31 Ashadh, 2076	**As at 1 Shrawan, 2075**	**Credit/(charge) in the Statement of Profit and Loss**	**Credit/(charge) in Other Comprehensive**	**As at 31 Ashadh, 2076**
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	11,361,125	(9,411,677)	-	1,949,448
Provision for leave encashment	2,179,853	626,379	-	2,806,232
Provision for gratuity	-	189,793	-	189,793
Leave money payable	-	-	-	-
Depreciation	(153,886,220)	(36,761,710)	-	(190,647,930)
Amortisation cost of term loan	6,549	150,911	-	157,461
Investment in equity instrument	(179,061,941)	-	(10,031,300)	(189,093,241)
Provision for loss on investment	3,136,217	457,543	-	3,593,760
	(316,264,417)	**(44,748,761)**	**(10,031,300)**	**(371,044,477)**

Movement during the year ended 31 Ashadh, 2077	**As at 1 Shrawan, 2076**	**Credit/(charge) in the Statement of Profit and Loss**	**Credit/(charge) in Other Comprehensive**	**As at 31 Ashadh, 2077**
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	1,949,448	(1,949,448)	-	-
Provision for leave encashment	2,806,232	1,580,535	-	4,386,767
Provision for gratuity	189,793	(181,764)	-	8,029
Leave money payable	-	-	-	-
Depreciation	(190,647,930)	(6,333,927)	-	(196,981,857)
Amortisation cost of term loan	157,461	54,739	-	212,200
Investment in equity instrument	(189,093,241)	-	54,496,586	(134,596,655)
Provision for loss on investment	3,593,760	61,575,460	-	65,169,220
	(371,044,477)	**54,745,595**	**54,496,586**	**(261,802,296)**

Figures in NPR

Note no: 7
Project work-in-progress

Particulars	As at 31st Ashadh 2077 At cost	As at 31st Ashadh 2076 At cost
Chino Khola SHP	26,826,145	23,360,066
Lower Manang Marshyangdi HEP	194,278,484	185,318,828
Mugu Karnali HEP	43,680,020	11,694,554
Total	**264,784,649**	**220,373,448**

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

Note no: 8
Investment in associates and joint ventures

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	No. of shares	Amount	No. of shares	Amount
Investment in associates (at cost less impairment loss)				
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	3,319,836	190,564,235	3,319,836	317,608,562
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	194,087,662	2,966,860	296,461,997
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	756,026	-	1,260,044
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	772,709,173	601,300	772,756,890
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,024,510	6,406	10,024,510
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	84,291,599	-	-
Investment in joint ventures (at cost less impairment loss)				
CQNEC-NHE Consortium-Purbi Chiitwan	-	5,880,171	-	-
ERMC & Hydro Consult JV	-	985,663	-	651,113
Hydro Consult & ERMC JV	-	3,021,533	-	1,427,124
ITECO-TMS-HCE JV	-	1,260,618	-	1,337,010
HCE-ITECO-TMS JV	-	-	-	19,058
Hydro Consult & BDA JV	-	250,968	-	32,346
Advance towards share capital including incidental cost:				
Gurans Energy Limited	-	200,000	-	-
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	-	-	93,520,876
Total Investment	**10,019,841**	**1,264,032,158**	**6,894,402**	**1,495,099,530**

a. Provision for impairment loss was made in proportion of Group's share investments in subsidiaries and associates as per the latest available financial statements. This year provision for impairment loss was recognized for NPR 119,178,418 in Kabeli Energy Limited and NPR 127,123,424 in Gurans Energy Limited. During the current year, the Provision for impairment loss was made at 40% of investment value as per management's best estimate.

Note no: 9
Other investments

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	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	954,961,138	2,978,502	1,175,049,485
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	19,356,942	10,000	17,254,939
Dordi Khola Jal Bidyut Company Limited (Equity Shares of NPR 100 each fully paid up)	56,000	6,328,000	56,000	6,328,000
Total Investment at Fair Value through Other Comprehensive Income	**3,044,502**	**980,646,080**	**3,044,502**	**1,198,632,424**

a) As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Ashadh 28, 2077), and necessary process of handover and takeover of the share is in progress.
b) The Group's subsidiary company - Khudi Hydropower Limited has received 56,000 shares of Rs. 100 each from Dordi Khola Jal Bidyut Company Ltd. without any consideration payment. In FY 2075-76, Company had incurred cost of Rs. 728,000 for receiving such shares and the same has been accounted as share investment.

Figures in NPR

Note no: 10
Inventories

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
General Stock/Office Supplies/Consumer Service Item	5,857,255	7,791,924
Stock of Electric Goods	36,694,333	118,729,036
T/L and D/L Stock	12,965,976	7,505,100
Other engineering inventories and spare parts	50,625,750	36,433,156
Total	**106,143,314**	**170,459,216**

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

Note no: 11
Cash and cash equivalents

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balances with banks		
Local currency account		
In current accounts	49,593,505	27,777,602
In call accounts	57,169,072	121,351,193
In deposits accounts (Orignal maturity less than 3 months)	-	400,000,000
Convertible currencies account		
In current accounts	12,561,504	9,450,502
In call accounts	-	-
Cash on hand	965,686	733,538
Cheques on hand	-	9,134,270
	120,289,767	**568,447,105**

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

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

	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Cash at banks and on hand	120,289,767	568,447,105
Overdraft	(31,601,744)	(36,376,981)
	88,688,023	**532,070,124**

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

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balances with Bank		
In deposit account	49,000,000	48,500,000
Embarked balance with bank		
Unpaid dividend	-	-
Margin money	9,349,255	42,584,398
	58,349,255	**91,084,398**

a. Debt Service Reserve Account (DSRA) balance of has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.
b. Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Figures in NPR

Note no: 13
Trade receivables

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	60,605,475	8,373,961	90,030,986	8,373,961
Local Consumers	22,903,982	-	18,420,725	-
Bills receivables from JVs	-	-	4,446,556	-
Retention money held by the Customers	177,963,416	-	75,021,186	56,575,911
Other trade receivables	137,649,074	-	447,925,231	-
Less: Allowances for doubtful receivables	(16,591,286)	(5,024,376)	(14,404,165)	(3,349,584)
	382,530,661	**3,349,585**	**621,440,519**	**61,600,288**

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

Note no: 14
Other financial assets (Current and Non-current)

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-current	Current	Non-current
Security deposits				
Government Deposits	-	-	24,000,000	-
Deposit (Others)	38,050,372	82,490	628,999	1,488,106
Investment in Fixed Deposit	50,064,110		30,186,986	
Loan and advances				
Advances to Staff	8,066,273	-	7,315,542	3,424,869
Receivables from Employee Welfare Fund	9,301,855	-	9,301,855	-
Accrued Contract Revenue	214,892,841	-	212,035,856	-
Receivables from associates and joint ventures				
Dividend receivable from associates	739,085,487	-	-	-
Other receivables from associates	6,736,236	-	17,148,066	-
Interest receivable from associates	79,190,659	-	79,190,659	-
Advance receivables from JVs	1,928,979	-	1,928,979	-
Other receivables				
Receivables from Harish Chandra Shah	210,000,000	-	210,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Other receivables from Department of Electricity Development (DoED)	25,088,251	-	-	-
Other receivables from Citizen Investment Trust	1,408,418	-	-	-
Other receivables	2,617,251	-	2,102,053	-
Total	**1,401,430,732**	**82,490**	**608,838,995**	**4,912,975**

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

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

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-current	Current	Non-current
Capital advance	-	1,325,939	-	5,649,094
Prepayments	17,076,058	-	12,724,459	-
Advance to Supplier/Contractor/Sub Contract	386,469,870	-	345,325,086	108,905,568
Deposit with Government authorities	-	2,697,753	-	2,697,753
Gratuity Fund Surplus	-	-	8,679,792	-
Other assets	3,776	38,747,417	4,059	549,254
	403,549,704	**42,771,109**	**366,733,396**	**117,801,669**

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

Figures in NPR

Note no: 16
Equity Share Capital

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares				
Authorised				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued				
Equity Shares of Rs. 100 each with voting rights	26,838,818	2,683,881,800	24,405,554	2,440,555,400
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	26,838,818	2,683,881,800	24,405,554	2,440,555,400
	26,838,818	**2,683,881,800**	**24,405,554**	**2,440,555,400**

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

	As at 31st Ashadh 2077	As at 31st Ashadh 2076
	No. of Shares	No. of Shares
Balance as at the beginning of the year	24,405,554	22,186,720
Add: Issue of bonus share during the year	2,433,264	2,218,834
Add: Issue of Further Public Offering (FPO) during the year	-	-
Balance as at the end of the year	**26,838,818**	**24,405,554**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	15,105,719	56.28%	13,732,472	56.27%
Government of Nepal	1,991,538	7.42%	1,810,489	7.42%
IKN Nepal A.S., Norway	423,997	1.58%	385,452	1.58%
United Mission to Nepal	366,912	1.37%	333,556	1.37%
Nepal Electricity Authority	231,383	0.86%	210,348	0.86%
General Public/Employees				
- NMB Bank Ltd.	513,359	1.91%	458,897	1.88%
- Kamana Sewa Bikas Bank Ltd.	356,525	1.33%	324,114	1.33%
- Other General Public shareholders	7,849,385	29.25%	7,150,226	29.29%

D. Terms/rights attached
to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	**As at 31st Ashadh 2077**	**As at 31st Ashadh 2076**
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2075-76: NPR 18 per share and stock dividend NPR 10 per share (2074-75: cash dividend NPR 18 per share and stock dividend NPR 10 per share)	440,029,112	399,344,760
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed cash dividend for 2076-77: Cash dividend of NPR ___ and Stock Dividend of NPR ___. (2075-76: cash dividend NPR 18 per share and stock dividend NPR 10 per share)		440,029,112

a) The board of directors has proposed ___% cash dividend and ___% stock dividend on paid up capital from the net profit of the fiscal year 2076/77 and its accumulated reserve & surplus. The total amount of cash dividend **NPR ______ million shall be payable and ____________ numbers of bonus shares of NPR 100 each (equivalent to NPR ________ million)** shall be issued after the approval of 28th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2076/77 **NPR 744.12 million** (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

Figures in NPR

Note no: 17
Other Equity

	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total
Balance at 1 Shrawan 2075	**1,767,535,318**	**18,151,841**	**148,700,000**	**537,185,824**	**2,012,558,925**	**4,484,131,908**
Profit for the year	-	-	-		732,121,380	**732,121,380**
Other comprehensive income	-	-	-	30,093,898	-	**30,093,898**
Issue of right share	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(221,883,400)	**(221,883,400)**
Issue of Further Public Offering	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-		**-**
Dividends to shareholders	-	-	-	-	(400,521,968)	**(400,521,968)**
Transfer to Retained Earnings	-	-	-	-	155,049	**155,049**
Balance at 31st Ashadh 2076	**1,767,535,318**	**18,151,841**	**148,700,000**	**567,279,722**	**2,122,429,986**	**4,624,096,867**
Profit for the year	-	-	-	-	754,065,640	**754,065,640**
Other comprehensive income	-	-	-	(163,489,758)	-	**(163,489,758)**
Issue of right share	-		-	-	-	**-**
Issue of bonus share		-	-	-	(243,326,400)	**(243,326,400)**
Issue of Further Public Offering	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-	(294,560)	**(294,560)**
Dividends to shareholders	-	-	-	-	(440,294,127)	**(440,294,127)**
Transfer to Retained Earnings	-	-	-	-	(310,099)	**(310,099)**
Prior Period Adjustment	-	-	-	-	3,657,175	**3,657,175**
Balance at 31st Ashadh 2077	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,195,927,615**	**4,534,104,738**

Note no: 18
Grant aid in reserve

Particulars	As at 31st Ashadh 2077 Closing Balance	As at 31st Ashadh 2077 Amortisation for the year	As at 31st Ashadh 2076 Closing Balance	As at 31st Ashadh 2076 Amortisation for the year
Name of Grantors				
NORAD	8,464,094	328,484	8,792,578	328,484
UMN PCS	16,933,404	673,931	17,607,335	673,931
USAID	9,563,740	382,724	9,946,463	382,724
REGDAN	10,387,002	414,375	10,801,377	414,375
JRP	5,155,066	206,805	5,361,872	206,805
REEP	69,440,177	2,773,849	72,214,025	2,773,849
Local VDC/Community	75,865,705	2,967,148	77,935,782	2,901,182
Total	**195,809,188**	**7,747,316**	**202,659,432**	**7,681,350**

Figures in NPR

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

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	5,192,457	24,172,977	4,232,990	16,198,905
Provision for Performance Link Incentive	5,708,119	-	4,522,555	-
Provision for CSR	488,920	-	380,887	-
	11,389,496	**24,172,977**	**9,136,432**	**16,198,905**

Note no: 20
Trade payables

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Sundry creditors	247,862,889	-	102,772,146	-
	247,862,889	**-**	**102,772,146**	**-**

Note no: 21
Borrowings

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	113,531,772	2,739,204,846	130,989,152	1,960,336,242
Trust Receipt Loan	42,060,000	-	268,500,000	-
Bridge Gap Loan	52,500,000	-	-	-
Short term loan	173,202,940	-	50,000,000	-
Overdraft	31,601,744	-	36,376,981	-
	412,896,456	**2,739,204,846**	**485,866,133**	**1,960,336,242**

1) Details of Security

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 33.88 million (As at 31st Ashadh, 2076 - NPR 169.41 million) with International Financial Corporation (IFC). The loan is secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project. All these assets are classified as "Service Concession Arrangement Intangibles".

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 39.46 million (As at 31st Ashadh, 2076 - NPR 75.46 million) and overdraft facility aggregate to nil (As at 31st Ashadh, 2076 - NPR 4.48 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rastriya Banijya Bank. During the year, Bridge Gap Loan facility has been obtained from Nepal Investment Bank Ltd. with consent of consortium banks in order to finance for repair of the damanged plant structures due to flood. Also, additional term loan for the purpose of working capital has been obtained during the year from Nepal Investment Bank Ltd. These loans along with overdraft facility are secured as charge by way of hypothecation on entire project of Khudi project, all receivable of PPA, Current account, Bills and Receivables of subsidiary KHL, ranking paripassu among bankers.

c. The Group has entered into consortium arrangement for term loan aggregate to NPR 2,586.98 million (As at 31st Ashadh, 2076 - NPR 1709.37 million) 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. Short term loan includes bridge gap loan provided during the year by the lead bank within the terms agreed in above consortium loan arrangement. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

d. Term loan aggregate to NPR 124.66 million (As at 31st Ashadh, 2076 - NPR 158.50 million from NIC Asia Bank) is obtained from Sunrise Bank Limited which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at

e. Short term loan and overdraft facility is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project.. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

f. Trust Receipt Loan aggregate to NPR 42.06 million (As at 31st Ashadh, 2076 - NPR 26.85 million), Working Capital Loan aggregate to NPR 123.34 million (As at 31st Ashadh, 2076 - NPR 50 million) and overdraft facility aggregate to NPR 31.06 million (As at 31st Ashadh, 2076 - NPR 31.90 million) is obtained from Nepal Investment Bank Limited which is secured by way of hyphothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machinery, Inventories and Trade Receivables of subsidiary NHE.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
2-3 Years	171,952,472	517,233,604
4-5 Years	306,625,822	247,183,580
6-10 Years	341,285,102	793,313,860
Beyond 10 years	1,936,380,756	424,014,404
	2,756,244,152	**1,981,745,448**

Figures in NPR

Note no: 22
Other Financial Liabilities

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Advance payable to JVs	19,039,894	-	90,442,445	-
Bonus Payable	19,310,164	-	32,130,629	-
Employee related accrual	23,165,837	-	35,617,618	-
Refundable Deposits of Parties	1,569,317	-	1,344,325	338,669
Retention money Payable	2,335,347	185,132,404	27,198,806	109,962,451
Royalty Payable	4,426,295	-	5,310,947	-
Other Payables	16,892,156	-	11,090,172	-
	86,739,010	**185,132,404**	**203,134,942**	**110,301,120**

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

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,739	24,691,509	920,739	24,113,645
Dividend Payable	70,427,462	-	53,285,129	-
Gratuity Payable	67,509,363	-	67,652,430	-
Advance from Customers	104,102,437	-	274,895,902	-
Statutory dues	13,606,303	-	14,085,866	-
VAT Payable	15,310,895	-	16,549,410	-
Welfare Fund Clearing Account	1,404,662	-	910,987	-
Other current liabilities	11,023,013	-	1,955,720	-
	284,304,874	**24,691,509**	**430,256,183**	**24,113,645**

a) Gratuity payable is the net balance after deducting NPR 10,044,004 which is balance amount in Gratuity Fund maintained with Citizen Investment Trust (CIT).

Figures in NPR

Note no: 24
Revenue

Particulars	2076-77	2075-76
Electricity Sales to NEA	547,228,504	582,979,352
Electricity Sale to Consumers	195,136,571	187,203,230
Revenue during construction phase	1,302,248,765	1,189,177,506
Sale of services	1,149,738,218	1,385,266,458
Total	**3,194,352,058**	**3,344,626,546**

Note no: 25
Cost of Sales

Particulars	2076-77	2075-76
Cost of Consumed Materials, Supplies and Services	729,789,735	1,056,713,532
Electricity Purchase	20,811,206	20,316,178
Cost incurred during construction phase	1,302,248,765	1,189,177,506
Salaries and other employee cost	287,772,194	256,868,845
Mutually Agreed Retirement Scheme	-	29,731,048
Contribution to Provident and Gratuity Fund	22,234,171	29,029,030
Staff Bonus	13,711,773	20,700,974
Repair and Maintenance	35,440,638	29,492,712
Depreciation and amortization	108,048,061	109,054,590
Environment, Community & Mitigation (CSR)	7,388,156	16,242,471
Donation expenses	595,000	527,000
Vehicle running cost	4,469,650	6,130,842
Royalty	82,815,639	82,703,032
Insurance	10,307,070	13,940,775
Safety and Security	3,649,174	3,656,349
Legal and professional Expenses	-	2,929,779
Assets written off	149,251	1,120,741
Miscellaneous Expenses	28,134,952	24,489,995
Total	**2,657,565,435**	**2,892,825,399**

Note no: 26
Administrative and other operating expenses

Particulars	2076-77	2075-76
Salaries and other employee cost	105,089,565	103,437,482
Mutually Agreed Retirement Scheme	-	35,965,928
Contribution to Provident and Gratuity Fund	16,159,200	6,845,467
Staff Bonus - admin	5,422,658	11,665,718
Staff Welfare	3,908,576	5,830,163
Depreciation and amortization	27,507,270	30,042,979
House Rent	2,096,771	1,873,583
Vehicle Running Expenses	1,597,727	1,899,042
Printing and Stationery Expenses	5,603,375	6,686,820
Advertisement & Publicity	760,495	1,487,486
Support Staff Expenses	1,237,451	1,000,946
Gift & Donations	144,392	242,375
Assets Written off	182,621	102,175
Equity Investment written off	-	639,500
Environment, Community & Mitigation (CSR)	1,251,720	1,056,087
Rates and Taxes	2,101,292	1,896,599
Office Operation and Maintainance	9,036,613	8,756,829
Traveling Expenses & Allowance	2,878,625	5,795,721
Audit fee and expenses	2,619,066	3,060,736
AGM and Board Expenses	5,531,041	4,698,432
Legal and Profesional Fees	5,739,724	8,092,576
Hospitality and Refreshment	1,624,512	2,236,268
Communication expenses	3,878,592	3,779,546
Safety and Security	2,404,419	2,578,105
Training and Development	1,570,151	2,877,271
Insurance expenses	2,301,124	2,197,750
Repair and Maintenance - Admin	6,687,104	7,211,503
Bad debts	10,990,798	13,367,257
Foreign exchange loss	21,248,443	10,469,600
Miscellaneous Expenses	10,152,690	9,150,310
Overhead Charged to Projects	(5,153,091)	(8,792,236)
Total	**254,572,924**	**286,152,018**

Figures in NPR

Note no: 27
Other Income

Particulars	2076-77	2075-76
Dividend income	739,085,486	556,587,033
Income from Other Sources	7,221,177	8,544,054
House Rent	7,474,855	7,887,056
Profit/(Loss) on Sale & Write Off Fixed Assets	147,080	6,571,083
Miscellaneous Income	6,302,011	9,670,932
Insurance Claim received on Loss of Assets	2,691,900	155,162
Total	**762,922,509**	**589,415,320**

Note no: 28
Finance income

Particulars	2076-77	2075-76
Interest income	31,651,901	159,026,664
Total	**31,651,901**	**159,026,664**

Note no: 29
Finance Costs

Particulars	2076-77	2075-76
Interest Expenses	85,162,859	77,301,416
Other finance cost	(280,798)	5,896,763
Bank Charges & Commision	1,483,185	848,685
Total	**86,365,246**	**84,046,864**

Note no: 30

EARNINGS PER SHARE	2076-77	2075-76
Profit attributable to equity holders of the parent company	754,065,640	732,121,380
Weighted average number of equity shares outstanding	26,838,818	24,405,554
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	**28.10**	**30.00**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	26,838,818	24,405,554
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	**28.10**	**30.00**

Figures in NPR

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

Particulars	Fair value As at 31st Ashadh 2077	Fair value As at 31st Ashadh 2076	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets :				
Investment in equity instruments of Himal Power Limited	954,961,138	1,175,049,485	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	19,356,942	17,254,939	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Dordi Khola Jal Bidyut Company Ltd	6,328,000	6,328,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Figures in NPR

Note no: 32
RELATED PARTY DISCLOSURES

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

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Other Related Party	SCP Hydro International
	Lamjung Electricity Development Company

Information on the Group's structure is provided in Note 2.25

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Sandip Kumar Dev	Director
vi) Mr. Sandip Shah	Director
vii) Mr. Dinesh Humagain	Director
viii) Mr.Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	1,584,000	620,000
Communication, IT and Transportation	911,000	480,000

(c) Transactions with key management personnel
Key Management personnel includes:
i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Short-term employee benefits	10,118,239	9,585,894

(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	433,383	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	185,120	71,535	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	-	109,949	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	1,848,666	1,757,195	-	69,201
Lamjung Electricity Development Company Limited	Payment for Development fees	-	4,485,248	236,198	236,198
SCHPI	Income from Rent, Electricity and Generator Charges	-	-	1,405,979	1,405,979

Figures in NPR

Note no: 33
Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Currency	Amount	Expiry Date (A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	NPR	163,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	NPR	14,000,000	12/15/2021
3	Everest Bank Limited	As per the requirement for importing HM/EM equipments from Rasuwa Custom Office, Rasuwa	NPR	18,100,000	7/15/2020
4	Everest Bank Limited	As per the requirement for importing HM/EM equipments from Birgunj Custom Office, Birgunj	NPR	30,100,000	7/15/2020
5	Everest Bank Limited	As per the requirement for importing TL equipments from Birgunj Custom Office, Birgunj	NPR	400,000	9/16/2020
6	Everest Bank Limited	As per the requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA)	NPR	18,000,000	7/24/2020
7	Everest Bank Limited	As per the requirement for application of EXIM Code from Department of Customs,Tripureshwor, Kathmandu	NPR	300,000	8/25/2020
8	Everest Bank Limited	As per the requirement for importing TL equipments from Birgunj Custom Office, Birgunj	NPR	1,350,000	8/22/2020
9	Nepal Investment Bank	Advance Payment Guarantee	NPR	302,106,331	Various Dates
10	Nepal Investment Bank	Advance Payment Guarantee	USD	46,909	Various Dates
11	Nepal Investment Bank	Bid Bond	NPR	48,738,000	Various Dates
12	Nepal Investment Bank	Performance Bond	NPR	194,116,688	Various Dates
13	Nepal Investment Bank	Performance Bond	USD	42,606	Various Dates
14	Nepal Investment Bank	Performance Bond	EURO	34,432	Various Dates

B. Corporate Guarantee

S.no.	Party Name	Purpose	Currency	Amount	Expiry Date (A.D.)
1	ITECO/TMS/Hydro consult JV	Advance Payment Guarantee for Irrigation Feasibility Study and Construction of Kaligandaki Tinau Diversion Project (Guarantee on belhalf of JV)	NPR	802,740	1/13/2021
2	CQNEC-NHE , Purbi Chitwan	Advance Payment & Performance Bond	NPR	44,419,791	5/15/2021
3	CQNEC-NHE , Purbi Chitwan	Advance Payment & Performance Bond	INR	9,183,223	5/15/2021
4	CQNEC-NHE , Purbi Chitwan	Advance Payment & Performance Bond	USD	179,455	5/15/2021

C. Preference Dividend

Group's subsidiary company - KHL has issued cumulative preference shares amounting to NPR 24,050,000 to outsider and cumulative dividend calculated thereto is as follows:

Name	Preference Shares (NPR)	Accumulated Dividend		Dividend Payout up to F/Y 2076/77	Total Cumulative
		Up to F/Y 2075/76	F/Y 2076/77		
SCPHI	24,000,000	32,576,557	3,319,200	7,327,200	**28,568,557**
LEDCO	50,000	78,632	6,915	15,265	**70,282**
Total	**24,050,000**	**32,655,189**	**3,326,115**	**7,342,465**	**28,638,839**

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 13.83% (average consortium loan rate of 11.33% plus 2.5%).
The cumulative dividend upto the current financial year is NPR 28,638,839 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

1. The group has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has 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. NPR 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of NPR 35.70 million considering the period since commencement date till Ashadh end 2077. 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.
During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the group. As of 15th July 2020, NEA has deducted NRs 2,50,88,251 from group's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 14 of Financial Statements.

2. 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 NPR 2,609,717. The Company has contested the demands as not payable and filed application for administrative review. The Company has deposited amount of NPR 2,697,753 against the appeal with the department.

E. Capital Commitments

i. 37.6-MW Kabeli-A Hydropower Project (KAHEP)
The Group is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis.
Group's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date. Due to unsatisfactory performance, notice of termination has been issued to the Civil /HM Contractor effective from April, 2019. Recovery plan has been formulated after the termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

ii. 100-MW Lower Manang Marsyangdi Hydropower Project
The Group has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR 194.28 million has been spent by the group as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR.

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 EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development. A consent for PPA has been received from NEA as required for the process of Generation License. EIA report has been submitted to MOEWRI after incorporating the comments of review committee. NPR. 27.86 million has been spent by the group for this project as on reporting date.

iv. 159.62 MW Mugu Karnali Hydropower Project
The Group has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing NPR 44.26 million has been spent by the group for this project as on reporting date.

v. SCIG International Nepal Hydro Joint Development company Pvt. Ltd. (SCIG JVC)
S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. Group's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which the group has invested NPR 93.52 million as on reporting date.

vi. 135 MW Manang Marsyangdi Hydropower Project (M1)
Group has acquired 100% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. Group's part of capital commitment on this project is NPR 943 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 566.42 million for this project as on reporting date.

vii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (M3)
Group has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. PDA is on process of negotiation. Group's part of capital commitment on this project is NPR 2,284 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 777.90 million for this project as on reporting date.

viii. Marsyangdi Transmission Project (MTP)
Group has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by M3. 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 10.34 million for this project as on reporting date

ix. New RAS Software Development
Group has entered into contract to develop the new RAS (Revenue Accounting Software) for billing to electricity consumers. As per the contract, the total consideration for such services shall be NPR 2.13 million, out of which the company has already made payment of 90% and has further capital commitment of NPR 0.21 million under this contract.

Figures in NPR

Note no: 34
Non-controlling interests

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balance at beginning of year	219,820,396	230,006,897
Profit for the year	11,763,867	(5,874,771)
Other comprehensive income	-	-
Dividends to shareholders	(1,325,072)	(8,582,381)
Transfer to Retained Earnings	304,659	(155,049)
Issue of share in subsidiaries	-	4,425,700
Prior Period Adjustment	3,471,711	-
Balance at end of year	234,035,561	219,820,396

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		Profit (loss) allocated to non controlling interests		Accumulated non-controlling interests	
	As at 31st Ashadh 2077	As at 31st Ashadh 2076	As at 31st Ashadh 2077	As at 31st Ashadh 2076	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Nepal Hydro & Electric Limited	48.70%	48.70%	8,239,940	(22,940,111)	110,893,510	99,181,858
Hydro-Consult Engineering Limited	20.00%	20.00%	6,260,908	4,871,604	22,532,392	17,596,556
Khudi Hydropower Limited	40.00%	40.00%	(2,269,616)	12,495,325	81,820,515	84,090,132
Nyadi Hydropower Limited	1.81%	1.81%	(467,365)	(301,589)	18,789,144	18,951,850
			11,763,867	(5,874,771)	234,035,561	219,820,396

Summarised financial information in respect of each of the Group's subsidiaries that has non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Nepal Hydro & Electric Limited	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Non-current assets	182,206,811	253,863,634
Current assets	621,551,315	899,015,105
Non-Current Liabilities	3,606,635	8,518,880
Current Liabilities	455,430,078	842,492,311
Equity attributable to owners of the Company	158,517,629	171,100,967
Non-controlling interests	150,478,805	162,424,011
Revenue	938,061,562	1,187,197,536
Total Cost	902,336,583	1,218,854,965
Profit for the year	**35,724,979**	**(31,657,429)**
Profit attributable to owners of the Company	18,327,198	(16,240,513)
Profit attributable to the non-controlling interests	17,397,781	(15,416,916)
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	**35,724,979**	**(31,657,429)**
Total comprehensive income attributable to owners of the Company	18,327,198	(16,240,513)
Total comprehensive income attributable to the non-controlling interests	17,397,781	(15,416,916)

Figures in NPR

Hydro-Consult Engineering Limited	**As at 31st Ashadh 2077**	**As at 31st Ashadh 2076**
Non-current assets	19,130,179	23,904,369
Current assets	168,919,476	150,178,131
Non-Current Liabilities	254,497	605,404
Current Liabilities	41,361,048	51,605,985
Equity attributable to owners of the Company	92,196,698	77,000,865
Non-controlling interests	23,049,018	19,250,085
Revenue	227,707,978	210,646,396
Total Cost	196,519,584	185,026,235
Profit for the year	**31,188,394**	**25,620,161**
Profit attributable to owners of the Company	24,950,749	20,496,157
Profit attributable to the non-controlling interests	6,237,645	5,124,004
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	**31,188,394**	**25,620,161**
Total comprehensive income attributable to owners of the Company	24,950,749	20,496,157
Total comprehensive income attributable to the non-controlling interests	6,237,645	5,124,004

Khudi Hydropower Limited	**As at 31st Ashadh 2077**	**As at 31st Ashadh 2076**
Non-current assets	326,873,433	342,438,505
Current assets	23,129,839	16,208,952
Non-Current Liabilities	51,576,705	71,681,420
Current Liabilities	104,436,537	81,994,394
Equity attributable to owners of the Company	122,982,986	107,531,125
Non-controlling interests	81,988,657	71,687,417
Revenue	63,390,341	96,149,577
Total Cost	74,371,954	70,396,476
Profit for the year	**(10,981,613)**	**25,753,101**
Profit attributable to owners of the Company	(6,588,968)	15,451,860
Profit attributable to the non-controlling interests	(4,392,645)	10,301,240
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	**(10,981,613)**	**25,753,101**
Total comprehensive income attributable to owners of the Company	(6,588,968)	15,451,860
Total comprehensive income attributable to the non-controlling interests	(4,392,645)	10,301,240

Nyadi Hydropower Limited	**As at 31st Ashadh 2077**	**As at 31st Ashadh 2076**
Non-current assets	3,607,313,857	2,381,312,789
Current assets	387,187,113	523,732,809
Non-Current Liabilities	2,745,601,564	1,793,278,486
Current Liabilities	218,223,139	54,051,697
Equity attributable to owners of the Company	1,038,242,203	1,053,229,724
Non-controlling interests	19,173,211	19,449,985
Revenue	1,302,248,765	1,189,177,506
Total Cost	1,328,987,912	1,204,141,800
Profit for the year	**(26,739,147)**	**(14,964,295)**
Profit attributable to owners of the Company	(26,254,308)	(14,692,960)
Profit attributable to the non-controlling interests	(484,839)	(271,335)
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	**(26,739,147)**	**(14,964,295)**
Total comprehensive income attributable to owners of the Company	(26,254,308)	(14,692,960)
Total comprehensive income attributable to the non-controlling interests	(484,839)	(271,335)

Statement of Financial Position of BPC Subsidiaries

As on 31st Ashadh 2077 (15th July 2020) ***Figures in NPR***

Particulars	HCEL	Khudi	Nyadi	BPCSL	MMHCPL	NHE
ASSETS						
Non-Current Assets						
Property, plant and equipment	13,416,833	537,028	13,881,435	2,770,002	-	137,663,830
Capital work-in-progress	-	-	-	-	-	24,154,647
Intangible assets	823,257	316,658,821	-	-	-	1,160,723
Intangible assets under development	-	-	3,554,685,005	-	141,010,497	-
Financial assets						
Other investments	-	6,328,000	-	-	-	-
Trade receivables	-	3,349,585	-	-	-	-
Other financial assets	82,490	-	-	-	-	-
Deferred-tax assets	2,109,846	-	-	-	-	19,227,611
Other non-current assets	2,697,753	-	38,747,417	-	-	-
Total Non-Current Assets	**19,130,179**	**326,873,434**	**3,607,313,857**	**2,770,002**	**141,010,497**	**182,206,811**
Current Assets						
Inventories	-	2,171,420	-	-	-	49,935,007
Financial assets						
Trade receivables	62,584,465	10,177,583	-	2,787	-	253,669,851
Cash and cash equivalents	40,766,119	6,688,226	14,940,000	1,766,619	203,791	1,245,270
Bank balance other than cash and cash equivalents	2,342,740	612,063	6,386,452	14,000,000	-	-
Other financial assets	60,723,569	389,408	1,386,733	-	750	251,194,390
Other current assets	1,294,965	3,071,776	364,473,928	3,776	-	26,149,165
Current tax assets (net)	1,207,618	19,363	-	45,243	-	39,357,632
Total Current Assets	**168,919,476**	**23,129,839**	**387,187,113**	**15,818,425**	**204,541**	**621,551,315**
Total Assets	**188,049,655**	**350,003,273**	**3,994,500,970**	**18,588,427**	**141,215,038**	**803,758,126**
EQUITY AND LIABILITIES						
Equity						
Equity	14,723,100	84,000,000	1,095,000,000	10,000,000	88,596,000	139,530,000
Other Equity	131,711,011	109,990,030	(64,323,733)	5,795,592	1,772,722	205,191,413
Total Equity	**146,434,111**	**193,990,030**	**1,030,676,267**	**15,795,592**	**90,368,722**	**344,721,413**
Liabilities						
Non-Current Liabilities						
Financial liabilities						
Borrowings	-	21,138,805	2,558,932,390	-	-	-
Other financial liabilities	-	-	185,132,404	-	-	-
Provisions	254,497	1,248,994	1,536,770	-	-	3,606,635
Deferred tax liabilities	-	29,188,906	-	147	-	-
Total Non-Current Liabilities	**254,497**	**51,576,705**	**2,745,601,564**	**147**	**-**	**3,606,635**
Current Liabilities						
Financial liabilities						
Borrowings	-	60,767,500	22,500,000	-	49,860,810	197,003,874
Trade payables	2,336,026	6,421,085	192,021,581	-	-	43,019,369
Other financial liabilities	17,064,234	6,118,358	3,016,980	2,792,233	809,611	23,562,761
Provisions	9,356,292	-	-	-	-	-
Other current liabilities	12,604,495	31,129,595	684,578	455	43,580	191,844,074
Current tax liabilities (net)	-	-	-	-	132,315	-
Total Current Liabilities	**41,361,047**	**104,436,538**	**218,223,139**	**2,792,688**	**50,846,316**	**455,430,078**
Total Liabilities	**41,615,544**	**156,013,243**	**2,963,824,703**	**2,792,835**	**50,846,316**	**459,036,713**
Total Equity and Liabilities	**188,049,655**	**350,003,273**	**3,994,500,970**	**18,588,427**	**141,215,038**	**803,758,126**
Net Worth Per Share	994.59	230.94	94.13	157.96	102.00	247.06

Statement of Profit and Loss and Other Comprehensive Income of BPC Subsidiaires

For the year ended 31st Ashadh 2077 (15th July 2020) ***Figures in NPR***

	HCEL	Khudi	Nyadi	BPCSL	MMHCPL	NHE
Revenue	227,707,978	63,390,341	1,302,248,765	30,000	-	938,061,562
Cost of Sales	(150,244,565)	(58,687,479)	(1,302,248,765)	(153,194)	-	(800,184,283)
Gross profit	**77,463,413**	**4,702,862**	**-**	**(123,194)**	**-**	**137,877,279**
Other income	1,729,450	3,750	-	-	1,157,500	3,432,611
Administrative and other operating expenses	(39,462,589)	(8,321,485)	(26,739,147)	(105,500)	(1,734,667)	(61,044,975)
Finance Income	4,732,406	247,888	-	1,320,638	-	1,096,980
Finance Costs	(15,452)	(10,014,583)	-	(100)	-	(44,339,405)
Profit from JVs	-	-	-	-	-	-
Profit Before Tax	**44,447,228**	**(13,381,568)**	**(26,739,147)**	**1,091,844**	**(577,167)**	**37,022,490**
Income Tax Expense						
Current tax	(13,618,790)	(118,637)	-	(273,010)	(132,315)	(1,297,511)
Deferred tax credit/charge	359,956	2,518,592	-	49	-	-
Net Profit for the year	**31,188,394**	**(10,981,613)**	**(26,739,147)**	**818,883**	**(709,482)**	**35,724,979**
Earnings per equity share of Rs. 100 each						
Basic Earnings per share - Rs.	211.83	(13.07)	(2.44)	8.19	(0.80)	25.60
Diluted Earnings per share - Rs.	211.83	(13.07)	(2.44)	8.19	(0.80)	25.60

Note 1: Background

The consolidated financial statements comprise financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (hereinafter referred to as "the Group") for the year ended 31st Ashadh, 2077

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 2.25.

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

The consolidated financial statements apply to the financial year ended 31st Ashadh 2077 (15th July 2020).
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 3rd Poush, 2077 (18th December, 2020). 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 Companies Act, 2063 of Nepal.

The Group has applied Carve Out issued by the Institute of Chartered Accountants of Nepal (ICAN) as an alternative treatment for equity accounting under NAS 28- Investment in Associates and Joint Ventures. As per alternative treatment under Para 35 of NAS 28, the entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so. All associates and joint ventures of the Group have not prepared the financial statements using the uniform accounting policies, so the Group has adopted this carve out which is valid till fiscal year 2019-20.

ii. Standards issued by ICAN but not yet applicable at 15th July 2020

The Group has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2076-77 (2019-20). These standards include:

a. NFRS 9 "Financial Instruments", NFRS 14 "Regulatory Deferral Accounts", NFRS 15 "Revenue from Contracts with Customers, NFRS 16 "Leases", NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, and
b. All other standards under NFRS 2018 applicable from 16th July 2020.

The Group is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue. It replaces standards NAS 11 "Construction Contracts" and NAS 18 "Revenue", as well as the different existing interpretations SIC 31 "Revenue – Barter Transactions Involving Advertising Services", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers".

NFRS 9 "Financial Instruments" is the new NFRS standard introducing new provisions regarding Impairment of financial assets and hedging. It replaces standards NAS 39 "Financial Instruments: Recognition and Measurement" and NFRS 9 (2013) "Financial Instruments".

NFRS 16 "Leases" changes the recognition of leases by lessees. It replaces NAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

iii. Basis of preparation

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

iv. Basis of measurement

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

v. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashadh, 2077. 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 Ashadh. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Limitation on consolidation during the year

The audited financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were not made available to the management of the Company so, in the current year, the consolidated financial statements include the financial information of NHE based on unaudited financial statements made available. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group have been consolidated the unaudited amounts of revenue and expenses, cash flows and changes in equity of NHE for the year. The consolidated statement of financial position of the group has consolidated assets, liabilities and equity at amount equivalent to respective unaudited amounts of NHE.

In addition, during the year 2075-76, the financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were not made available to the management of the Company so the consolidated financial statements did not include the financial information of NHE in the FY 2075-76. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group had not consolidated the amounts of revenue and expenses, cash flows and changes in equity of NHE for the year 2075-76. The consolidated statement of financial position of the group for FY 2075-76 had consolidated assets, liabilities and equity at amount equivalent to previous year (FY 2074-75) respective amounts of NHE. In the current year (FY 2076-77), the opening figures of the consolidated financial statements has been restated for the amounts of revenue, expenses, cash flows, assets, liabilities and equity of NHE for FY 2075-76 based on unaudited financial statement provided during the year.

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. 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. 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 provide evidence of an impairment of the assets transferred**.**

2.2 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Refer Note 4 (c) of consolidated financial statement for detail w.r.t Goodwill recognised during the year.

2.3 Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The Group makes certain estimates and assumptions regarding 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 is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

Impairment of property plant and equipment
At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

2.4 Service concession arrangements

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

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and

(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement

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

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

These arrangements are accounted 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 guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

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

Intangible Assets under Service Concession Arrangement (SCA)
The Group manages concession arrangements which include power supply from its three hydro power plant viz. 12 MW Jhimruk Power Plant, 9.4 MW Andhikhola Power Plant and 4MW Khudi Hydropower Plant. The Group maintains and services the infrastructure during the concession period. Further, the concession arrangement gives the Group right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under intangible asset model is recognised in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Group, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

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

2.5 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
iii. The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
iv. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

2.6 Other Intangible Assets

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

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

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

2.7 Depreciation and Amortization

i. Depreciation is recognised 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 when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

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

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

iv. Useful life is either the period 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 and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

2.8 Impairment of tangible and intangible assets

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

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

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

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

2.9 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period 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.

2.10 Cash and cash equivalents

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

2.11 Inventories

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

2.12 Revenue recognition

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

2.13 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 of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the date of the transactions.
iii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.
iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
v. Exchange differences on monetary items are recognised in Statement of Profit and Loss in the period in which they arise.

2.14 Employment Benefits

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

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

Defined benefit plan - Gratuity
As per the provision of new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund (SSF), however, deposited with Citizen Investment Trust (CIT) instead of contribution in SSF due to lack of clear and practical guidelines in this regard. Contribution to Gratuity fund are charged to the profit or loss statement in the year to which they relate as the group has no further defined obligations beyond monthly contributions. As on date, the group has set aside net obligation amount as gratuity payable in current liabilities.

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

2.15 Taxation

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

Current tax
Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.
Income tax rates applicable to Group:
Income from Manufacturing and sale of electricity: 20% (2075/76: 17%)
Income from Other services: 25% (2075/76: 25%)

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

2.16 Earnings per share

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

2.17 Provisions, contingencies and commitments

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

2.18 Financial Instruments

i. Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest free or concession loans/debentures/preference shares given to subsidiaries and associates, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.
Investment in equity instruments issued by subsidiaries and associates are measured at cost less impairment.
Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investment in preference shares/debentures not meeting the aforesaid conditions are classified as debt instruments at amortised cost.

ii. Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.
Income/ expense arising on financial instruments after applying an effective interest rate is recognised in 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

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

De-recognition of financial assets

The 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 balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

vi. Fair Value measurement:

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

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

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

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

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

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

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

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

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

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

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

2.19 Leases

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

Group as a lessee

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

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

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

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

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.

2.20 Government grants and Grant Aid in Reserve

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

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual 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.

2.21 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale 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 balance sheet.

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

2.22 Financial risk management objectives and policies

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

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. 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 NPR as at Ashadh 31, 2077 and Ashadh 31, 2076: -

Particulars	Currency	Ashadh 31, 2077	Ashadh 31, 2076
Cash and bank balance	NPR	12,545,546	9,439,503
	USD	104,225	86,317
Trade Receivables	NPR	9,316,006	8,463,890
	USD	77,395	77,395
Advance to Suppliers / Contractors/Sub-contracts	NPR	-	126,649,012
Advance to Suppliers / Contractors/Sub-contracts	USD	-	2,606,454
Retention Money Payable	NPR	157,009,665	51,113,926
Retention Money Payable	USD	1,304,392	725,567
Sundry Creditors	NPR	166,360,127	-
Sundry Creditors	USD	1,382,073	-

b. Credit risk

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

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations. Since, the interest rate risk is influenced by market forces, the group has little role to play for minimizing this risk. Group 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, Group has arranged 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.

2.23 Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group. The Group manages its capital 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 Ashadh, 2077 and 31st Ashadh, 2076.

2.24 Segment reporting

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

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

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2077	Ashadh 31, 2076
On the basis of audited financial statement			
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	98.19%	98.19%
BPC Services Limited (BPCSL)	Engineering consultancy services	100.00%	100.00%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	80.00%	80.00%
Manang Marshyandi Hydropower Company Private Limited (MMHCPL)	Generation and sale of hydro electricity	100.00%	100.00%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60.00%	60.00%
On the basis of unaudited financial statement			
Subsidiaries:			
Nepal Hydro & Electric Limited (NHE) **Refer Limitation on Consolidation w.r.t this subsidiary in Note 2.1(iv)**	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%
Associates:			
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	40.00%	40.00%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	27.24%	27.24%
Himtal Hydropower Company Private Limited	Generation and sale of hydro electricity	19.40%	19.40%
Marsyangdi Transmission Company Private Limited	Transmission of electricity	19.40%	19.40%
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	Develop, own, acquire and operate hydropower projects	20.00%	-
Joint ventures:			
CQNEC-NHE Consortium-Purbi Chitwan	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%

Figure in NPR

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2077	Ashadh 31, 2076
ERMC & Hydro Consult JV	Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I	32.00%	32.00%
Hydro Consult & ERMC JV	• Detailed Engineering Design of Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydropower Project • Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP	48.00%	48.00%
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	24.00%	24.00%
HCE-ITECO-TMS JV	Detailed Feasibility Study of Sunsari Morang Irrigation Project	32.00%	32.00%
HCE-BDA JV	Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW)	48.00%	48.00%
Other equity investments:			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		10.73%	10.73%
Dordi Khola Jal Bidyut Company Ltd		0.30%	0.30%

Subsidiaries

a) Nepal Hydro & Electric Limited

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

b) Khudi Hydropower Limited

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

BPC’s preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.83% (i.e. the prevailing interest rate 11.33% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

c) BPC Services Limited

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

d) Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 98.19% shares followed by LEDCO shareholding 1.81%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are going on as per the set timeline. Altogether, around 90% of the total contract works of head works, underground works, penstock, powerhouse, other civil works, HM works, EM and transmission lines are completed as on reporting date.

e) Hydro-Consult Engineering Limited

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

f) Manang Marsyangdi Hydropower Company Pvt. Ltd.
Manang Marshyangdi Hydropower Company Private Limited is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu and its principal place of business is Manang district, Gandaki Zone of Nepal.

Manang Marsyangdi Hydro-Electric Project developed by the Company with the installed capacity of 282 MW (now optimized capacity at 135MW under Q40) is located on the Marshyangdi River in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to MMHCPL on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase.

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. The process of obtaining approval of PPA and PDA of MMHCPL is in progress.

<u>Associates</u>

g) Gurans Energy Limited
Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2076/77. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

h) Kabeli Energy Limited (KEL)
Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The project is under construction. However, due to unsatisfactory performance, notice of termination has been issued to the Civil /HM Contractor effective from April, 2019. Recovery plan has been formulated after the Termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

i) Himtal Hydropower Company Pvt. Ltd
Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001 under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marshyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contract address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up of the project. BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation.

j) Marsyangdi Transmission Company Pvt. Ltd.
Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on April 27, 2010 under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600MW upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. The register address of the company is P O Box: 148, Chakupat-10, Lalitpur and contract address is at Sanepa, Lalitpur, Nepal. BPC has acquired 19.40% shares of MTCPL.

k) S.C.I.G. International Nepal Hydro Joint Development Company Private Limited
S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each.

<u>Joint Ventures</u>

l) CQNEC-NHE Consortium-Purbi Chitwan
Nepal Hydro & Electric Limited has entered into a joint venture agreement with Chongqing New Century Eletrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium] for the design, supply and construction of 132kv substations at Purbi Chitwan. NHE holds 25.14% interest in the joint venture.

m) HCE-ERMC Joint Venture
Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'HCE-ERMC Joint Venture'] for carrying out the following work:

- Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP), Taplejung District
- Detailed Engineering Design of 6.2 MW Budhi Ganga Khola Small Hydropower Project (BGKSHP), Bajura District
- Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW)
- Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project
- Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW)

n) ERMC-HCE Joint Venture (Feasibility and EIA of Sankhuwa Khola and Sankhu khola-1)

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'ERMC-HCE Joint Venture'] for carrying out the following work: -

- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola Hydropower Project, and
- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola-1 Hydropower Project.

o) ITECO-TMS-HCE Joint Venture

HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project (named ITECO Nepal (P.) Ltd. /Total Management Services Pvt. Ltd. /Hydro-Consult Engineering Ltd. JV).

p) HCE-BDA Joint Venture
HCE has entered into a joint venture agreement with Building Design Authority (BDA) on 18 Kartik 2075 to carry out Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW).

q) HCE-ITECO-TMS Joint Venture
HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Consulting Services for Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project Headworks (named Hydro Consult/ITECO/TMS JV).

Other equity investments

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

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

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