CSC & Co
Chartered Accountants

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Independent Auditor's Report

To the Shareholders of Butwal Power Company Limited

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Butwal Power Company Limited ("the Company" or "BPCL"), which comprise the statement of financial position as at 31 Ashad 2077 (15th July 2020), the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 15th July 2020, and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

Basis for 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 Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit financial statements of the financial year ended on 31 Ashad 2077 (15 July 2020). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

Key Audit Matters	How our audit addressed the key audit matters
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 13 "Other Financial Assets" and Note 35 "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 Company 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 Company. As of 15th July 2020, NEA has deducted NPR 25,088,251 from the Company's receivable balance and paid the amount to DoED. The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company's legal counsel. There's a risk that the Company's claim will not	• 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 Company'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 assessed the estimates against historical trends. We considered management's

Key Audit Matters	How our audit addressed the key audit matters
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 Ashad end 2077.	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 and 27 "Impairment loss on investment" of the financial statements)	
BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 31, 2076, BPCL 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 Company 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 Company and the key assumptions in respect of status, future prospects, and carrying value of the project. • We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project. • We have also assessed the adequacy of the disclosures made in the standalone financial statements
Recoverability of Advances (Refer Note 13 "Other Financial Assets (Current and Non-current)" of the financial statements)	
As on Ashad 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 BPCL. 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 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 Company has been conducting regular discussions with concerned parties through the recovery committee. The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company'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 Company's legal counsels. • We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate.

Other Information

We have nothing to report on the other information in the Annual Report. The directors are responsible for the other information presented in the Butwal Power Company Annual Report and Accounts 2076-77 (2019-20) together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Butwal Power Company Limited'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 Butwal Power Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Butwal Power Company Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 statement of financial position, profit or loss, other comprehensive income, changes in equity and cash flows have been prepared in accordance with the provisions of Companies Act 2063 and conform to the books of accounts of the Company and the 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 Company has acted deliberately contrary to the provisions of the law or caused loss or damage to the Company or misappropriated funds of the Company, 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: 201221CA00264v1JFE

Butwal Power Company Limited
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*	315,804,119	338,771,303
Capital work-in-progress	*3*	1,922,130	533,925
Intangible assets	*4*	1,871,187,298	1,927,472,589
Project work-in-progress	*5*	266,393,190	221,267,225
Financial assets			
Investment in Subsidiaries and Associates	*6*	3,094,142,881	3,338,002,146
Other investments	*7*	974,318,080	1,192,304,424
Other non-current assets	*12*	1,325,939	5,649,094
Total Non-Current Assets		**6,525,093,637**	**7,024,000,706**
Current Assets			
Inventories	*8*	54,036,887	42,779,405
Financial assets			
Trade receivables	*9*	73,331,875	98,679,533
Cash and cash equivalents	*10*	54,679,741	312,095,427
Bank balance other than cash and cash equivalents	*11*	35,008,000	35,008,000
Other financial assets	*13*	1,104,440,942	373,396,352
Other current assets	*12*	11,304,954	18,920,614
Current tax assets (net)	*14*	8,389,294	44,389,795
Total Current Assets		**1,341,191,693**	**925,269,126**
Total Assets		**7,866,285,330**	**7,949,269,832**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	*15*	2,683,881,800	2,440,555,400
Other equity	*16*	4,345,164,805	4,460,725,983
Total Equity		**7,029,046,605**	**6,901,281,383**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	*17*	195,809,188	202,659,432
Financial liabilities			
Borrowings	*19*	159,133,651	233,520,295
Provisions	*22*	17,526,081	10,939,281
Deferred tax	*14*	232,613,242	339,336,785
Other non-current liabilities	*20*	24,691,509	24,113,645
Total Non-Current Liabilities		**629,773,671**	**810,569,438**
Current Liabilities			
Financial liabilities			
Borrowings	*19*	82,764,272	94,989,152
Trade payables	*18*	20,831,734	25,506,992
Other financial liabilities	*21*	22,442,979	38,242,250
Provisions	*22*	2,033,204	1,460,001
Other current liabilities	*20*	79,392,865	77,220,616
Total Current Liabilities		**207,465,054**	**237,419,011**
Total Liabilities		**837,238,725**	**1,047,988,449**
Total Equity and Liabilities		**7,866,285,330**	**7,949,269,832**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President, Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

Jitendra Kumar Mishra
Partner
CSC & Co.,
Chartered Accountants

Om Prakash Shrestha
Director

Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: 18th December, 2020
Place: Kathmandu, Nepal

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Butwal Power Company Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31st Ashadh 2077 (15 July 2020)

Figures in NPR

	Note	2076-77	2075-76
Revenue	*23*	686,706,569	683,077,756
Cost of Sales			
Generation Expenses	*24*	(245,689,657)	(266,311,738)
Distribution Expenses	*25*	(119,405,150)	(137,044,775)
Gross profit		**321,611,762**	**279,721,243**
Depreciation Being Revenue Portion of Grant Aid	*17*	7,747,316	7,681,350
Other income	*28*	767,819,229	613,708,668
Administrative and other operating expenses	*26*	(123,339,031)	(164,255,522)
Impairment loss on investment	*27*	(246,301,842)	(1,830,170)
Profit from Operation		**727,537,434**	**735,025,569**
Finance Income	*29*	24,253,988	151,539,902
Finance Costs	*30*	(31,995,706)	(41,627,741)
Profit Before Tax		**719,795,716**	**844,937,730**
Income Tax Expense			
Current tax	*14*	(40,738,581)	(46,729,996)
Deferred tax credit/charge	*14*	52,226,957	(37,872,378)
Profit for the year		**731,284,092**	**760,335,356**
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Equity instruments through other comprehensive income	7	(217,986,344)	40,125,198
ii. Tax relating to items that will not to be reclassified to profit or loss	14	54,496,586	(10,031,300)
Other comprehensive gain/(loss) for the year, net of tax		**(163,489,758)**	**30,093,898**
Total Comprehensive gain/(loss) for the year, net of tax		**567,794,334**	**790,429,254**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	*31*	27.25	31.15
Diluted Earnings per share - Rs.	*31*	27.25	31.15

The accompanying notes are integral part of these financial statements.

As per our report of even date

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Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: 18th December, 2020
Place: Kathmandu, Nepal

Butwal Power Company Limited
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	719,795,716	844,937,730
Adjustments for:		
Depreciation on property, plant and equipment	26,805,140	29,995,539
Amortization of Intangible Assets	74,747,785	73,598,577
Depreciation Being Revenue Portion of Grant Aid	(7,747,316)	(7,681,350)
Provision for employee benefits	7,160,003	1,588,447
Provision for Bonus	14,689,708	27,909,547
Finance income	(24,253,988)	(151,539,902)
Equity Investment written off	-	639,500
Impairment of Intangible asset	4,798,854	1,585,587
Finance cost	31,107,485	41,590,722
Impairment loss on investment in subsidiaries and associates	246,301,842	1,830,170
Loss/ (gain) on sale of Property, plant and equipment	(147,080)	(6,571,083)
Unrealized foreign exchange difference on cash and cash equivalents	(206,884)	(7,961)
Working capital adjustments:		
(Increase)/ Decrease in Trade receivables	25,347,658	(10,413,187)
(Increase)/ Decrease in other financial assets	(731,044,590)	(38,852,773)
(Increase)/ Decrease in other assets	11,938,815	(11,604,761)
(Increase)/ Decrease in Inventories	(11,257,482)	2,206,431
Increase / (Decrease) in trade payables	(4,675,258)	(2,519,616)
Increase / (Decrease) in financial liabilities	(15,799,271)	8,429,931
Increase / (Decrease) in other current liabilities	602,944	4,237,577
Cash generated from operations	**368,164,081**	**809,359,125**
Bonus paid	(28,359,802)	(19,282,555)
Income Tax Paid	(4,738,080)	(23,170,139)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**335,066,199**	**766,906,431**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	351,139	6,958,360
(Increase)/Decrease in Project work-in-progress	(45,125,965)	(14,704,521)
(Increase)/Decrease in Investment in Fixed Deposits	-	1,340,000,000
Interest Received	24,253,988	151,539,902
(Increase)/ Decrease Investment in Subsidiaries and Associates	(2,442,577)	(1,830,716,765)
Acquisition of Property, plant and Equipment	(5,430,220)	(8,822,459)
Purchase of Intangibles	(23,261,348)	(48,340,056)
Grant Aid received/ (refunded)	897,072	1,766,101
Bank balance other than cash and cash equivalents	-	2,510,299
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(50,757,911)**	**(399,809,139)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of further public offering (FPO)	-	-
Issue of right share	-	-
Share Issue Cost	-	-
Borrowing (repaid) / taken (net)	(86,607,973)	(94,989,152)
Dividend paid	(424,211,849)	(428,186,953)
Interest paid	(31,111,036)	(41,351,779)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(541,930,858)**	**(564,527,884)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(257,622,570)**	**(197,430,592)**
Net foreign exchange difference on cash and cash equivalents	206,884	7,961
CASH AND CASH EQUIVALENTS, Beginning of Year	312,095,427	509,518,058
CASH AND CASH EQUIVALENTS, End of Period	**54,679,741**	**312,095,427**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President, Finance

Bijaya Krishna Shrestha
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Om Prakash Shrestha
Director

Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: 18th December, 2020
Place: Kathmandu, Nepal

Butwal Power Company Limited
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				Total
		Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	
Balance at 1 Shrawan 2075	2,218,672,000	1,767,535,318	148,700,000	537,185,824	1,838,103,747	**6,510,196,889**
Profit for the year	-	-	-	-	760,335,356	760,335,356
Other comprehensive income	-	-	-	30,093,898	-	30,093,898
Total comprehensive income	-	-	-	30,093,898	**760,335,356**	**790,429,254**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	221,883,400	-	-	-	(221,883,400)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(399,344,760)	(399,344,760)
Balance at 31st Ashadh 2076	2,440,555,400	1,767,535,318	148,700,000	567,279,722	1,977,210,943	**6,901,281,383**
Profit for the year	-	-	-	-	731,284,092	731,284,092
Other comprehensive income	-	-	-	(163,489,758)	-	(163,489,758)
Total comprehensive income	-	-	-	**(163,489,758)**	**731,284,092**	**567,794,334**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	243,326,400				(243,326,400)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(440,029,112)	(440,029,112)
Balance at 31st Ashad 2077	2,683,881,800	1,767,535,318	148,700,000	403,789,964	2,025,139,523	**7,029,046,605**

The accompanying notes are integral part of these financial statements.

As per our report of even date

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Chief Executive Officer

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Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: 18th December, 2020
Place: Kathmandu, Nepal

Figures in NPR

Note no: 3
Property, plant and equipment:

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 1st Shrawan 2075	48,515,535	260,649,113	59,628,344	23,915,600	2,436,281	37,305,647	14,555,513	2,381,756	**449,387,789**
Additions	-	307,361	959,739	1,149,309	-	4,378,782	1,652,489	533,925	**8,981,605**
Transfer from CWIP	-	2,222,610	-	-	-	-	-	(2,381,756)	**(159,146)**
Disposals	-	-	(129,029)	(75,462)	(24,317)	(489,995)	(278,154)	-	**(996,957)**
Balance at 31st Ashadh 2076	48,515,535	263,179,084	60,459,054	24,989,447	2,411,964	41,194,434	15,929,848	533,925	**457,213,291**
Additions	-	273,234	1,210,541	94,420	-	657,000	1,806,820	1,388,205	**5,430,220**
Transfer from CWIP	-	-	-	-	-	-	-	-	-
Disposals	-	-	(361,568)	(107,221)	(32,488)	-	(320,527)	-	**(821,804)**
Balance at 31st Ashadh 2077	48,515,535	263,452,318	61,308,027	24,976,646	2,379,476	41,851,434	17,416,141	1,922,130	**461,821,707**
Accumulated depreciation									
Balance at 1st Shrawan 2075	-	28,971,043	29,448,365	12,758,282	1,188,142	9,116,380	7,039,992	-	**88,522,204**
Charge for the year	-	11,556,798	6,959,033	3,288,272	314,580	5,774,964	2,101,892	-	**29,995,539**
Disposals	-	-	(88,204)	(51,585)	(11,623)	(268,124)	(190,144)	-	**(609,680)**
Balance at 31st Ashadh 2076	-	40,527,841	36,319,194	15,994,969	1,491,099	14,623,220	8,951,740	-	**117,908,063**
Charge for the year	-	11,111,221	5,953,089	2,336,567	265,489	5,362,144	1,776,630	-	**26,805,140**
Disposals	-	-	(273,430)	(81,777)	(18,073)	-	(244,465)	-	**(617,745)**
Balance at 31st Ashadh 2077	-	51,639,062	41,998,853	18,249,759	1,738,515	19,985,364	10,483,905	-	**144,095,458**
Net book value									
At 1st Shrawan 2075	48,515,535	231,678,070	30,179,979	11,157,318	1,248,139	28,189,267	7,515,521	2,381,756	**360,865,585**
At 31st Ashadh 2076	48,515,535	222,651,243	24,139,860	8,994,478	920,865	26,571,214	6,978,108	533,925	**339,305,228**
At 31st Ashadh 2077	48,515,535	211,813,256	19,309,174	6,726,887	640,961	21,866,070	6,932,236	1,922,130	**317,726,249**

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

b) Capital work in progress includes expenditure on on-going contractual works for development of Revenue Accounting Software

Figures in NPR

Note no: 4
Intangible assets:

	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2075	4,413,691	2,158,532,378	**2,162,946,069**
Additions - Externally acquired	-	48,180,910	**48,180,910**
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	2,920,492	2,205,078,180	**2,207,998,672**
Additions - Externally acquired	95,112	23,166,236	**23,261,348**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(2,040,686)	(5,602,209)	**(7,642,895)**
Balance at 31st Ashadh 2077	974,918	2,222,642,207	**2,223,617,125**
Amortisation			
Balance at 1st Shrawan 2075	2,925,608	205,703,764	**208,629,372**
Charge for the year	714,030	72,884,547	**73,598,577**
Adjustment during the year	(1,493,199)	(208,667)	**(1,701,866)**
Balance at 31st Ashadh 2076	2,146,439	278,379,644	**280,526,083**
Charge for the year	605,250	74,142,535	**74,747,785**
Adjustment during the year	(2,040,686)	(803,355)	**(2,844,041)**
Balance at 31st Ashadh 2077	711,003	351,718,824	**352,429,827**
Net book value			
At 1st Shrawan 2075	1,488,083	1,952,828,614	**1,954,316,697**
At 31st Ashadh 2076	774,053	1,926,698,536	**1,927,472,589**
At 31st Ashadh 2077	263,915	1,870,923,383	**1,871,187,298**

a) Refer Note 19 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.
b) The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

Note no: 5
Project work-in-progress

Particulars	**As at 31st Ashadh 2077**	**As at 31st Ashadh 2076**
	At cost	**At cost**
Chino Khola SHP	27,856,900	23,676,057
Lower Manang Marshyangdi HEP	194,278,484	185,318,828
Mugu Karnali HEP	44,257,806	12,272,340
Total	**266,393,190**	**221,267,225**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola and Mugu Karnali project are shown as project work in progress. Refer Note 35C (iii), (iv), and (v) for status and detail of these projects

Figures in NPR

Note no: 6
Investment in subsidiaries and associates

Particulars	As at 31st Ashadh 2077 No. of shares	As at 31st Ashadh 2077 Amount	As at 31st Ashadh 2076 No. of shares	As at 31st Ashadh 2076 Amount
Unquoted Investments at cost				
Investment in Subsidiary Companies				
Nepal Hydro & Electric Limited (Equity Shares of NPR 100 each fully paid up)	715,800	71,580,000	715,800	71,580,000
Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)	504,000	50,400,000	504,000	50,400,000
Khudi Hydropower Limited (Preference Shares of NPR 100 each fully paid up)	576,000	57,600,000	576,000	57,600,000
BPC Services Limited (Equity Shares of NPR 100 each fully paid up)	100,000	10,000,000	100,000	10,000,000
Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)	10,751,453	1,075,145,300	10,751,453	1,075,145,300
Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)	117,785	11,778,500	117,785	11,778,500
Manang Marsyangdi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	885,960	566,416,367	885,960	564,173,790
Investment in Associate Companies				
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	3,319,836	331,983,600	3,319,836	331,983,600
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	296,686,000	2,966,860	296,686,000
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	1,260,044	-	1,260,044
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	777,902,830	601,300	777,902,830
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,346,245	6,406	10,346,245
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	93,520,876	-	-
Advance towards share capital including incidental cost:				
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	-	-	93,520,876
Gurans Energy Limited	-	200,000	-	-
Gross Investment at Cost (A)	**23,670,839**	**3,354,819,762**	**20,545,400**	**3,352,377,185**
Less: Provision for impairment loss				
Gurans Energy Limited		(141,498,463)		(14,375,039)
Kabeli Energy Limited		(119,178,418)		-
Total Provision (B)		**(260,676,881)**		**(14,375,039)**
Net Investment at cost less impairment (A+B)		**3,094,142,881**		**3,338,002,146**

a. Provision for impairment loss was made in proportion of BPC's share investments in subsidiaries and associates as per the latest available financial statements. This year provision for impairment loss made in Kabeli Energy Limited is NPR 119,178,418 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: 7
Other investments

Particulars	As at 31st Ashadh 2077 No. of shares	As at 31st Ashadh 2077 Amount	As at 31st Ashadh 2076 No. of shares	As at 31st Ashadh 2076 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
Total Investment at Fair Value through Other Comprehensive Income	**2,988,502**	**974,318,080**	**2,988,502**	**1,192,304,424**

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.

Figures in NPR

Note no: 8
Inventories

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
General Stock/Office Supplies/Consumer Service Items	3,685,835	4,393,871
Stock of Electric Goods	6,180,576	6,399,586
T/L & D/L Stock	12,965,976	7,505,100
Other engineering inventories and spare parts	31,204,500	24,480,848
Total	**54,036,887**	**42,779,405**

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

Note no: 9
Trade receivables

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Nepal Electricity Authority	50,427,893	80,258,808
Local Consumers	22,903,982	18,420,725
Total	**73,331,875**	**98,679,533**

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

Note no: 10
Cash and cash equivalents

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balances with banks		
Local currency account		
In current accounts	40,764,891	25,845,504
In call accounts	9,077,817	78,627,316
In deposits accounts (Original maturity less than 3 months)	-	200,000,000
Convertible currencies account		
In current accounts	2,705,269	3,010,149
In call accounts	1,233,907	823,782
Cash on hand	897,857	688,603
Cheque on hand	-	3,100,073
Total	**54,679,741**	**312,095,427**

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

Note no: 11
Bank balance other than cash and cash equivalents

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
Balances with Bank		
In deposit account	35,000,000	35,000,000
Embarked balance with bank		
Unpaid dividend	-	-
Margin money	8,000	8,000
Total	**35,008,000**	**35,008,000**

a. Debt Service Reserve Account (DSRA) balance has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.
b. Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Figures in NPR

Note no: 12
Other assets (Current and Non-current)

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-current	Current	Non-current
Capital advance	-	1,325,939	-	5,649,094
Prepaid Expenses	11,304,954	-	10,308,172	-
Gratuity Fund Surplus	-	-	8,612,442	-
Total	**11,304,954**	**1,325,939**	**18,920,614**	**5,649,094**

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

Note no: 13
Other financial assets (Current and Non-current)

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-current	Current	Non-current
Government Deposits	-	-	24,000,000	-
Deposit (Others)	518,968	-	561,968	-
Advances to Staff	271,415	-	408,833	-
Receivables from Employee Welfare Fund	9,301,855	-	9,301,855	-
Receivables from Harish Chandra Shah	210,000,000	-	210,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Dividend receivable from subsidiaries and associates	755,790,547	-	16,705,060	-
Interest receivable from subsidiaries and associates	79,190,659	-	79,190,659	-
Other receivables from subsidiaries and associates	6,736,236	-	17,311,508	-
Other receivables from Citizen Investment Trust	1,408,418	-	-	-
Other receivables from Department of Electricity Development (DoED)	25,088,251	-	-	-
Other receivables	1,134,593	-	916,469	-
Total	**1,104,440,942**	**-**	**373,396,352**	**-**

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

Figures in NPR

Note no: 14
INCOME TAXES

A Tax expense recognised in the Statement of Profit and Loss	Year ended 31 Ashadh, 2077	Year ended 31 Ashadh, 2076
Current tax expenses		
Current tax on profits for the year	40,738,581	46,729,996
Adjustments for under provision in prior periods	-	-
Deferred tax credit/charge		
Origination and reversal of temporary differences	(52,226,957)	37,872,378
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in Statement of Profit or Loss	**(11,488,376)**	**84,602,374**

B Tax expense recognised in Other comprehensive income	Year ended 31 Ashadh, 2077	Year ended 31 Ashadh, 2076
Deferred tax		
Origination and reversal of temporary differences	(54,496,586)	10,031,300
Adjustments/(credits) related to previous years - (net)	-	-
Income tax charged to OCI	**(54,496,586)**	**10,031,300**

C Current tax asset / (liability) -net:	Year ended 31 Ashadh, 2077	Year ended 31 Ashadh, 2076
Advance Income Tax	49,127,875	91,119,791
Less: Income Tax Liability	(40,738,581)	(46,729,996)
Total	**8,389,294**	**44,389,795**

D Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashadh, 2077			Year ended 31 Ashadh, 2076		
	Hydro	Other source	Total	Hydro	Other source	Total
Accounting Profit/ (Loss) before income tax	210,253,781	509,541,934	719,795,715	158,581,944	686,355,786	844,937,730
Enacted tax rate	20%	25%		17%	25%	
Computed tax expense	**42,050,756**	**127,385,484**	**169,436,240**	**26,958,930**	**171,588,947**	**198,547,877**
Differences due to:						
Tax effect due to non taxable income	-	(186,081,920)	(186,081,920)	(201,159)	(144,740,496)	(144,941,655)
Effect due to non deductible expenses	4,837,681	64,365,210	69,202,891	442,024	6,158,144	6,600,168
Tax effect due to difference in depreciation rate	(11,812,226)	(6,404)	(11,818,630)	(13,473,625)	(2,769)	(13,476,394)
Current tax on profits for the year	**35,076,211**	**5,662,370**	**40,738,581**	**13,726,170**	**33,003,826**	**46,729,996**

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

i. Movement during the year ended 32 Ashadh, 2076	As at 1 Shrawan, 2075	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 32 Ashadh, 2076
Deferred tax assets/(liabilities)				
Provision for leave encashment	2,179,853	484,305	-	2,664,158
Provision for loss on investment	3,136,217	457,543	-	3,593,760
Depreciation and Amortisation	(117,626,573)	(38,994,046)	-	(156,620,619)
Investment in equity instrument	(179,061,941)	-	(10,031,300)	(189,093,241)
Amortisation cost of term loan	(60,663)	179,820		119,157
Total	**(291,433,107)**	**(37,872,378)**	**(10,031,300)**	**(339,336,785)**

ii. 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 Income	As at 31 Ashadh, 2077
Deferred tax assets/(liabilities)				
Provision for leave encashment	2,664,158	1,472,810	-	4,136,968
Provision for loss on investment	3,593,760	61,575,460	-	65,169,220
Depreciation and Amortisation	(156,620,619)	(10,820,603)	-	(167,441,222)
Investment in equity instrument	(189,093,241)	-	54,496,586	(134,596,655)
Amortisation cost of term loan	119,157	(710)	-	118,447
Total	**(339,336,785)**	**52,226,957**	**54,496,586**	**(232,613,242)**

Figures in NPR

Note no: 15
Equity Share Capital

Particulars	As at 31st Ashadh, 2077 No. of Shares	As at 31st Ashadh, 2077 Amount	As at 31st Ashadh, 2076 No. of Shares	As at 31st Ashadh, 2076 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 No. of Shares	As at 31st Ashadh, 2076 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 end of the year	**26,838,818**	**24,405,554**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh, 2077 No. of Shares	As at 31st Ashadh, 2077 Share %	As at 31st Ashadh, 2076 No. of Shares	As at 31st Ashadh, 2076 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 Shareholders				
- 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.

Figures in NPR

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:	440,029,112	399,344,760
Final dividend for 2075-76: NPR. 18 per share (2074-75: NPR. 18 per share)		
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2076-77: Cash dividend NPR ___ per share and stock dividend NPR ___ per share. (2075-76: cash dividend NPR 18 per share and stock dividend NPR 10 per share)		440,029,112

Note no: 16
Other equity

	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2075	1,767,535,318	148,700,000	537,185,824	1,838,103,747	**4,291,524,889**
Profit for the year	-	-	-	760,335,356	**760,335,356**
Other comprehensive income	-	-	30,093,898	-	**30,093,898**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share	-	-	-	(221,883,400)	**(221,883,400)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders		-	-	(399,344,760)	**(399,344,760)**
Balance at 31st Ashadh 2076	1,767,535,318	148,700,000	567,279,722	1,977,210,943	**4,460,725,983**
Profit for the year	-	-	-	731,284,092	**731,284,092**
Other comprehensive income	-	-	(163,489,758)	-	**(163,489,758)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share				(243,326,400)	**(243,326,400)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders	-	-	-	(440,029,112)	**(440,029,112)**
Balance at 31st Ashadh 2077	1,767,535,318	148,700,000	403,789,964	2,025,139,523	**4,345,164,805**

Figures in NPR

Note no: 17
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**

Note no: 18
Trade payables

Particulars	As at 31st Ashadh 2077 Current	As at 31st Ashadh 2077 Non-Current	As at 31st Ashadh 2076 Current	As at 31st Ashadh 2076 Non-Current
Trade payables	20,831,734	-	25,506,992	-
Total	**20,831,734**	**-**	**25,506,992**	**-**

Note no: 19
Borrowings

Particulars	As at 31st Ashadh 2077 Current	As at 31st Ashadh 2077 Non-Current	As at 31st Ashadh 2076 Current	As at 31st Ashadh 2076 Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	82,764,272	159,133,651	94,989,152	233,520,295
Overdraft	-	-	-	-
Total	**82,764,272**	**159,133,651**	**94,989,152**	**233,520,295**

1) The company has entered into arrangement for term loan 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".

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

3) 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.

4) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2077	As at 31st Ashadh 2076
2-3 Years	63,882,136	156,096,170
4-5 Years	30,000,000	54,449,760
5-10 Years	64,659,280	22,378,580
Total	**158,541,416**	**232,924,510**

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

Particulars	As at 31st Ashadh 2077 Current	As at 31st Ashadh 2077 Non-Current	As at 31st Ashadh 2076 Current	As at 31st Ashadh 2076 Non-Current
Advance Received from DDC, VDC and NTC	920,739	24,691,509	920,739	24,113,645
Dividend Payable	55,112,822	-	39,295,559	-
Statutory dues	7,113,990	-	7,423,608	-
VAT Payable (Net)	150,944	-	309,921	-
Welfare Fund Clearing Account	1,404,662	-	910,987	-
Bonus payable	14,689,708	-	28,359,802	-
Total	**79,392,865**	**24,691,509**	**77,220,616**	**24,113,645**

Figures in NPR

Note no: 21
Other Financial Liabilities

Particulars	As at 31st Ashadh 2077		As at 31st Ashadh 2076	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	10,829,976	-	25,100,756	-
Refundable Deposits of Parties	1,230,648	-	1,344,325	-
Retention Payable	2,790,604	-	3,736,358	-
Royalty Payable	4,426,295	-	5,310,947	-
Other Payable	3,165,456	-	2,749,864	-
Total	**22,442,979**	**-**	**38,242,250**	**-**

Note no: 22
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	2,033,204	17,526,081	1,460,001	10,939,281
Total	**2,033,204**	**17,526,081**	**1,460,001**	**10,939,281**

Figures in NPR

Note no: 23
Revenue

Particulars	**2076-77**	**2075-76**
Electricity Sale to NEA		
Electricity Sale	486,127,493	487,410,246
Short supply charges	(2,289,330)	(580,471)
	483,838,163	**486,829,775**
Electricity Sale to Consumers		
Metered Consumers	162,623,259	156,112,157
Unmetered Consumers	767,818	897,511
Industrial Consumers	43,077,932	41,232,268
UO Rebate	(11,332,438)	(11,038,706)
	195,136,571	**187,203,230**
Electricity Services		
Fee and Charges	1,305,775	1,718,905
Sale of Meter/Cutout & Accessories	6,426,060	7,325,846
	7,731,835	**9,044,751**
Total	**686,706,569**	**683,077,756**

Note no: 24
Generation Expenses

Particulars	**2076-77**	**2075-76**
Electricity Purchase	20,811,206	20,316,178
Salaries and other employee cost	54,597,568	44,316,717
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	11,734,924
Contribution to Provident and Gratuity Fund	4,647,880	6,156,214
Staff Bonus	5,028,098	8,637,463
Environment, Community & Mitigation	7,356,101	16,242,471
Donation expenses	556,200	487,800
Repair and Maintenance	16,800,741	17,341,373
Vehicle running cost*	(216,621)	160,239
Depreciation	2,174,235	2,605,492
Amortisation of Intangible Assets - SCA	56,917,849	56,387,334
Royalty	60,504,277	60,556,307
Insurance	6,979,373	7,865,122
Safety and Security	2,935,126	2,942,303
Legal and professional Expenses	-	2,929,779
Assets written off	77,308	1,052,203
Miscellaneous Expenses	6,520,316	6,579,819
Total	**245,689,657**	**266,311,738**

*BPC has a system of charging its employees for any personal use of its vehicles and deducting such amount from corresponding expenses. During the year, the charge for personal use of vehicle exceeded the cost incurred and thus there is negative balance in vehicle running cost

Note no: 25
Distribution Expenses

Particulars	**2076-77**	**2075-76**
Cost of sale of Meter/Cutout & Accessories	3,481,342	4,334,898
Salaries and other employee cost	46,209,622	39,557,544
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	17,996,124
Contribution to Provident and Gratuity Fund	4,437,699	6,319,456
Staff Bonus	4,725,286	8,218,700
Environment, Community & Mitigation	32,055	-
Donation expenses	38,800	39,200
Repair and Maintenance	8,279,028	9,416,313
Vehicle running cost	406,389	844,115
Depreciation	2,361,086	2,803,998
Amortisation of Intangible Assets - SCA	17,211,149	16,483,677
Royalty	20,646,900	19,824,194
Insurance	542,690	504,329
Safety and Security	714,048	714,046
Assets written off	71,943	68,538
Miscellaneous Expenses	10,247,113	9,919,643
Total	**119,405,150**	**137,044,775**

Figures in NPR

Note no: 26
Administrative and other operating expenses

Particulars	2076-77	2075-76
Salaries and other employee cost	52,915,169	57,520,986
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	35,965,928
Contribution to Provident and Gratuity Fund	12,204,832	1,678,296
Staff Bonus	4,936,324	11,053,384
Staff Welfare	2,006,709	3,021,062
Advertisement and business promotion	272,404	458,864
AGM and Board Expenses	3,416,588	2,303,085
Audit Fee and Expenses	1,361,949	1,924,245
Communication Expenses	2,183,203	2,452,302
Depreciation and amortisation	22,888,604	25,313,614
Environment, Community & Mitigation	159,800	38,600
Gift and Donation	111,882	177,000
Hospitality and Refreshment	405,262	743,169
Insurance	1,436,245	1,282,039
Safety and Security	2,404,419	2,578,105
Legal and professional Expenses	2,863,878	2,682,091
Office running cost	4,046,392	4,742,018
Printing and Stationery	1,609,566	2,040,704
Rates and Taxes	1,437,148	1,284,080
Rent	-	18,100
Repair and Maintenance	4,999,325	5,773,060
Training and Development	169,265	821,727
Travelling expenses	1,083,021	1,582,252
Vehicle running cost	203,769	872,498
Bad Debts	-	223,350
Assets Written off	54,808	53,120
Equity Investment written off	-	639,500
Miscellaneous Expenses	5,321,560	5,804,579
Overhead Charged to Projects	(5,153,091)	(8,792,236)
Total	**123,339,031**	**164,255,522**

a. Detail of Audit Fee and related expenses

Particulars	2076-77	2075-76
External Audit	452,000	395,500
Other assurance services (includes out of pocket expenses of external audit)	298,313	239,830
Internal Audit (including out of pocket expenses)	610,282	780,380
ISO Audit	1,354	508,535
Total	**1,361,949**	**1,924,245**

Note no: 27
Impairment loss on investment

Particulars	2076-77	2075-76
Gurans Energy Limited	(127,123,424)	(1,830,170)
Kabeli Energy Limited	(119,178,418)	-
Total	**(246,301,842)**	**(1,830,170)**

Refer Note 6 for details of Impairment

Note no: 28
Other Income

Particulars	2076-77	2075-76
Dividend income	744,120,794	578,954,023
Income from Other Sources	7,258,778	11,642,840
House Rent	13,549,706	13,171,378
Gain / (Loss) on disposal of assets and inventories	147,080	6,571,083
Insurance Claim received on Loss of Assets	2,691,900	155,162
Foreign Currency Exchange Gain/(Loss)	50,971	3,214,182
Total	**767,819,229**	**613,708,668**

a. Detail of Dividend income

Name of Company	2076-77	2075-76
Himal Power Limited	739,085,486	556,587,033
Hydro-Consult Engineering Limited	5,035,308	4,711,930
Khudi Hydropower Limited (Preference Dividend)	-	16,705,060
BPC Services Limited	-	950,000
Total	**744,120,794**	**578,954,023**

Figures in NPR

b. Detail of Foreign Currency Exchange Gain/(Loss):	2076-77	2075-76
- On account of term loan with IFC	(317,574)	730,567
- On account of HPL dividend	161,661	2,475,654
- On account of Revaluation of different foreign currency bank accounts	206,884	7,961
Total	**50,971**	**3,214,182**

Note no: 29
Finance income

Particulars	2076-77	2075-76
Interest income	24,253,988	151,539,902
Total	**24,253,988**	**151,539,902**

Note no: 30
Finance Costs

Particulars	2076-77	2075-76
Interest Expenses	31,111,036	41,351,779
Other finance cost	(3,551)	238,943
Bank Charges	888,221	37,019
Total	**31,995,706**	**41,627,741**

Note: 31

EARNINGS PER SHARE	2076-77	2075-76
Profit for the year	731,284,092	760,335,356
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) [2074-75 Restated]	**27.25**	**31.15**
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) [2074-75 Restated]	**27.25**	**31.15**

Note no: 32
Employee benefits expenses, Depreciation and Amortisation included in the statement of profit or loss:

Particulars	2076-77	2075-76
Employee benefit expenses		
Salary	78,305,172	52,405,820
Allowances	57,172,161	77,550,072
Provident Fund	7,497,206	4,894,536
Gratuity	13,793,205	9,259,430
Insurance	780,478	440,759
Leave Encashment	17,464,548	10,998,596
Mutually Agreed Retirement Scheme	-	65,696,976
Staff Welfare	2,006,709	3,021,062
Staff Bonus	14,689,708	27,909,547
Total	**191,709,187**	**252,176,798**
Depreciation and Amortisation		
Depreciation of Property, Plant and Equipment	26,805,140	29,995,539
Amortization of Intangibles Asset - Software	605,250	714,030
Amortization of Intangibles Asset - Service Concession Arrangement	74,142,535	72,884,547
Less: Depreciation being Revenue Portion of Grant Aid	(7,747,316)	(7,681,350)
Total	**93,805,609**	**95,912,766**

Figures in NPR

Note no: 33
Financial Instruments: Classifications and fair value measurements
A. Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31st Ashadh 2077	As at 31st Ashadh 2076		
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.

Figures in NPR

Note no: 34
RELATED PARTY DISCLOSURES

(a) Relationship

The company is controlled by Shangri-La Energy Ltd which owns 56.28% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Subsidiaries	Nepal Hydro & Electric Ltd.
	Khudi Hydropower Limited
	BPC Services Limited
	Nyadi Hydropower Limited
	Hydro-Consult Engineering Limited
	Manang Marshyangdi Hydropower Company Pvt. Ltd.
Associates	Gurans Energy Limited
	Kabeli Energy Limited
	S.C.I.G International Nepal Hydro Joint Development Company Pvt. Ltd
	Himtal Hydropower Company Pvt. Ltd.
	Marsyangdi Transmission Company Pvt. Ltd.

(b) Those charged with governance

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

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 BPC:

Nature of Expense	Current year	Previous year
Meeting Allowances	1,584,000	620,000
Telephone, Mobile and Newspaper / Magazines	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
	10,118,239	**9,585,894**

Figures in NPR

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,920	433,920		
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	185,120	71,535		
Beltron Trading Pvt. Ltd.	Electrical items purchase	-	109,949		
Nepal Hydro & Electric Ltd.	Purchase and other expenses	15,516,753	12,371,624	(62,360)	(1,205,617)
	Reimbursement of rent and utilities	-	4,294	-	4,294
	Advance given	1,289,488	2,077,354	-	-
Khudi Hydropower Limited	Reimbursement of rent and utilities	31,805	198,465	-	11,454
	Dividend Receivable	-	-	16,705,060	16,705,060
BPC Services Limited	Reimbursement of rent and utilities	63,705	63,745	-	2,004
	Purchase	33,900	33,900	(2,787)	(2,625)
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	964,342	3,977,330	-	145,690
	Disbursement of convertible loan	-	-	-	-
Hydro-Consult Engineering Limited	Purchase	6,403,733	9,866,534	-	(3,563,534)
	Reimbursement of rent and utilities	5,079,690	4,907,631	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	1,848,666	1,757,195	-	69,201

Note : 35
Contingent Liabilities and commitments

A. Corporate Guarantee

S.no.	Party Name	Purpose	Amount	Expiry Date (A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	163,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	14,000,000	12/15/2021

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

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 35.7 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 BPC. As of 15th July 2020, NEA has deducted NRs 2,50,88,251 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements.

C. Capital Commitments

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

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

BPC's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date. 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. 30-MW Nyadi Hydropower Project

NHP (upgraded capacity 30 MW) is a Run-of-River type project being developed over Nyadi River in Bahundada VDC in Lamjung district by Nyadi Hydropower Limited (NHL). At present BPC and Lamjung Electric Development Company (LEDCO) own 98.19% and 1.81% of NHL shares respectively.

BPC's part of capital commitment on this project is NPR 1,075 million for overall 70.22% shareholding after set aside for locals/public and employees and BPC has invested total committed amount NPR 1,075 million as on reporting date. Its COD is expected by 31st December 2020 (Poush 16, 2077).

iii. 140-MW Lower Manang Marsyangdi Hydropower Project (M2)

BPC has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. 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.

iv. 7.9 -MW Chino Khola Hydropower Project

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study 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 company for this project as on reporting date.

v. 159.62 MW Mugu Karnali Hydropower Project

BPC 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 company for this project as on reporting date.

vi. SCIG International Nepal Hydro Joint Development company Pvt. Ltd. (SCIG JVC)

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

vii. 135 MW Manang Marsyangdi Hydropower Project (M1)

BPC 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. 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 is in progress. BPC'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. BPC has invested NPR 566.42 million for this project as on reporting date.

viii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (M3)

BPC has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation. BPC'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. BPC has invested NPR 777.90 million for this project as on reporting date.

ix. Marsyangdi Transmission Project (MTP)

BPC has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by M3. Its Share transfer to BPC has been completed by 24th May 2019. 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 10.34 million for this project as on reporting date.

x. New RAS Software Development

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

Figures in NPR

Note 36

Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2077

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	321,745,007	162,093,156	49,323,055	153,545,351	-	686,706,569
Cost of Sales						
Generation Expenses	(131,484,485)	(114,205,172)	-	-	-	(245,689,657)
Distribution Expenses	-	-	(40,328,928)	(79,076,222)	-	(119,405,150)
Gross profit	**190,260,522**	**47,887,984**	**8,994,127**	**74,469,129**	**-**	**321,611,762**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,801,363	4,453,182	-	**7,747,316**
Other income	112,630	2,637,264	901,589	1,870,383	762,297,363	767,819,229
Administrative and other operating expenses	(54,035,446)	(27,655,941)	(8,432,073)	(26,092,125)	(7,123,446)	(123,339,031)
Impairment loss on investment	-	-	-	-	(246,301,842)	(246,301,842)
Profit from Operation	**136,570,625**	**23,129,159**	**4,265,006**	**54,700,569**	**508,872,075**	**727,537,434**
Finance Income	27,782	49,418	154,680	50,307	23,971,801	24,253,988
Finance Costs	-	(15,576,667)	(370)	-	(16,418,669)	(31,995,706)
Profit Before Tax	**136,598,407**	**7,601,910**	**4,419,316**	**54,750,876**	**516,425,207**	**719,795,716**

Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2076

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	330,916,130	155,913,645	47,885,394	148,362,587	-	683,077,756
Cost of Sales						
Generation Expenses	(149,370,393)	(116,941,345)	-	-	-	(266,311,738)
Distribution Expenses	-	-	(38,846,440)	(98,198,335)	-	(137,044,775)
Gross profit	**181,545,737**	**38,972,300**	**9,038,954**	**50,164,252**	**-**	**279,721,243**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,735,397	4,453,182	-	7,681,350
Other income	85,995	4,806,245	1,057,592	2,383,893	605,374,943	613,708,668
Administrative and other operating expenses	(62,538,155)	(30,365,754)	(9,247,093)	(28,481,415)	(33,623,105)	(164,255,522)
Impairment loss on investment	-	-	-	-	(1,830,170)	(1,830,170)
Profit from Operation	**119,326,496**	**13,672,643**	**3,584,850**	**28,519,912**	**569,921,668**	**735,025,569**
Finance Income	20,740	37,364	164,051	36,730	151,281,017	151,539,902
Finance Costs	-	(22,932,897)	(480)	(250)	(18,694,114)	(41,627,741)
Profit Before Tax	**119,347,236**	**(9,222,890)**	**3,748,421**	**28,556,392**	**702,508,571**	**844,937,730**

Note 37

CSR expenses as per Industrial Enterprises Act 2076

New Industrial Enterprises Act 2076 (the "Act") has been introduced with effect from Mangshir 28, 2076 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the “CSR Requirement”). The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors, that are prescribed under the Act. In current year, the Company has incurred Rs. 7,547,956 on "Environment, Community & Mitigation" and allocated budget Rs. 17.97 million for FY 2077/78 to meet CSR requirement, which is in line to the required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

Figure in NPR

Note 1: Background

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

The core business of BPC includes:

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

The financial statements apply to the financial year ended 31st Ashadh 2077 (15th July 2020).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 3rd Poush, 2077 (18th December 2020). The Board of Directors acknowledges the responsibility of preparation of financial statements.

Note 2: Significant accounting policies

2.1 Basis of Preparation and measurement

i. Statement of Compliance

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

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

BPC 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.

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

iv. Basis of measurement

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

v. Standards issued but not yet applicable at 15th July 2020

BPCL 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.

BPCL 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".

2.2 Critical accounting estimates and judgements

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

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

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

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

Fair value measurements
Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation 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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

2.3 Service concession arrangements

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:
(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.
Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met.
These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

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

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

Intangible Assets under Service Concession Arrangement (SCA)
The Company manages concession arrangements which include power supply from its two hydro power plant viz. 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives BPC right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset 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 Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.
Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.
The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

2.4 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
iii. The Company identifies and determines cost of each component/ part of the asset separately, if the component/ part have a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
iv. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
v. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.
vi. Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

2.5 Other Intangible Assets

i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.
ii. Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.
iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

2.6 Depreciation and Amortization

i. Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the written down method.
ii. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
iii. Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year 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. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR 10,000 per unit is charged to the profit and loss account in the year of purchase.
vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

2.7 Impairment of tangible and intangible assets

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

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

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

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

2.8 Borrowing cost

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

2.9 Cash and cash equivalents

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

2.10 Inventories

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

2.11 Revenue recognition

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

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

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

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

2.12 Foreign currency transactions

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

2.13 Employment Benefits

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

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

Defined contribution plan – Gratuity Fund
As per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution for gratuity 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 company has no further defined obligations beyond monthly contributions. This year onwards the company has initiated depositing the gratuity amount in individual gratuity account maintained in CIT, so there is no further obligation once the amount is deposited in the said account.

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

2.14 Taxation

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

Current tax
Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.
Income tax rates applicable to company:
Income from Manufacturing and sale of electricity: 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Tax rate for income from manufacturing and sale of electricity is 20%.

2.15 Earnings per share

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

2.16 Provisions, contingencies and commitments

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

obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

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

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

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

2.17 Financial Instruments

i. Financial instruments

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

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

ii. Effective interest method

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

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

iii. Financial assets

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

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

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

De-recognition of financial assets
The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.
If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.
If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

iv. Financial liabilities and equity instruments

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

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

Financial Liabilities
Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.
For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

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

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

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

vi. Fair Value measurement:

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

i) In the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

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

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

2.18 Leases

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

The Company as a lessee

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

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

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

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

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

2.19 Government grants and Grant Aid in Reserve

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.
When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities
Grant received related to assets is shown at fair value as "grant aid in reserve" to the extent of asset creation they contribute. Grant aid in reserve is reduced by the depreciation of such assets and the same amount is realized as income to balance the expense of depreciation expense in the profit and loss account.
Revenue grant and related expenses are recognized in the profit and loss account.

2.20 Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.
The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.
Property, plant and equipment and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortised.

2.21 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.
The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.
The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: -

a. Currency risk

The Company is subject to the risk that changes in foreign currency values impact the Company's imports of inventories and property, plant and equipment. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant currency risk, the Company has not entered into any forward contract.

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashadh 31, 2077 and Ashadh 31, 2076: -

Particulars	Currency	Ashadh 31, 2077	Ashadh 31, 2076
Cash and bank balance	NPR	3,939,176	3,833,931
	USD	32,726	35,058

b. Credit risk

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

c. Interest rate risk

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

d. Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.
In order to control liquidity risk and for better working capital management, BPC has arranged adequate level of OD facility for short term financing. The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

2.22 Capital Management

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.
The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's

focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company will take appropriate steps in order to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.
No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashadh, 2077 and 31st Ashadh, 2076.

2.23 Segment reporting

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

2.24 Staff bonus

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

2.25 Contingent Assets

As per point 61 of the Budget Speech of Fiscal Year 2014/15, Government of Nepal, Ministry of Finance declared to provide a lump sum grant of Rs 5.5 million per MW of electricity to those producers who generate and connect the generated electricity to national grid within FY 2017/18. Andhikhola Hydropower Project, upgraded from 5.1 MW to 9.4 MW achieved Commercial Operation Date (COD) on April 5, 2015 (Chaitra 22, 2071) from Nepal Electricity Authority (NEA). The first request was made to Ministry of Energy dated May 8, 2015 and subsequent follow up letters have been submitted time to time. The total Grant for upgraded capacity of the plant is NPR 23.65 million.

2.26 Description of Subsidiaries, Associates and other equity investments

a) Nepal Hydro & Electric Limited

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the initial shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The current shareholders are BPC (51.3%), IKNI (46.9%), Butwal Technical Institute (1.1%) and Himal Hydro and General Construction Limited (0.7%). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

b) Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.83% (14% in FY 2075/76) (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 ongoing 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) 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.

g) Kabeli Energy Limited (KEL)

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

h) Himal Power Limited (HPL)

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

i) Hydro Lab Private Limited

Hydro Lab Private Limited was established in 2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama

Figure in NPR

Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi and others. BPC holds 10.73% shares in HLPL.

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

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

k) Manang Marsyangdi Hydropower Company Pvt. Ltd.

Manang Marshyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu 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.

l) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001 under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in 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.

m) Marsyangdi Transmission Company Pvt. Ltd. (MTCL)

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

BPC has acquired 19.40% shares of MTCPL on 24th May 2019.