

ANNUAL REPORT

2016



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Butwal Power Company (BPC) stands today with 50 years of experience in the hydropower sector and has placed itself as one of the leading company in Nepal. Generation and distribution of electricity is its core business areas, incorporated in 1965 as a private company and converted into public limited company in 1993. BPC is engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

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

BPC owns and operates Andhikhola (9.4 MW) and Jhimruk (12 MW) plants located in western Nepal. BPC owns majority stake in Khudi

# COMPANY PROFILE

hydropower plant (4 MW). It is also developing two hydropower projects Nyadi (30 MW) and Kabeli A (37.6 MW), with through separate SPVs. BPC's another project namely Lower Manang Marsyangdi Hydropower Project (100 MW), located in southern region of Manang District, is in the preparatory phase.

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

BPC established Hydro-Consult Engineering Limited (HCE) which provides consultancy services in

## CORPORATE INFORMATION

**Name:** Butwal Power Company Limited

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

**Date Incorporated:** 29 December, 1965 (2022/09/14 BS)

**Date converted into a public limited company:**

17 February, 1993 (2049/11/06 BS)

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

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

**PAN /VAT Number:** 500047963

**Bankers:** Himalayan Bank Ltd., Nepal Investment Bank Ltd., Sunrise Bank Ltd., NIC Asia Bank Ltd, Nepal Bangladesh Bank Ltd. Standard Chartered Bank Ltd. Mega Bank Nepal Ltd.

**Statutory Auditor:** BRS Neupane & Co, Chartered Accountants

**Internal Auditor:** PL Shrestha & Co., Chartered Accountants

**Stock Exchange Listing:** Nepal Stock Exchange (NEPSE), as BPCL

water resource based infrastructure development respecting the local socio-ecological systems. It investigates, designs and assists to develop hydropower projects in Nepal, Pakistan, Kenya with an excellent business results with its professionals.

BPC is implementing integrated management system with certification of ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health

and Safety Management System) recognized by the Certification Body, DNV (Det Norske Veritas).

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

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



# VISION, MISSION AND VALUES

## VISION

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

## MISSION

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

## VALUES

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

# STRATEGIC GOALS OF THE COMPANY

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

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

# INTEGRATED QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

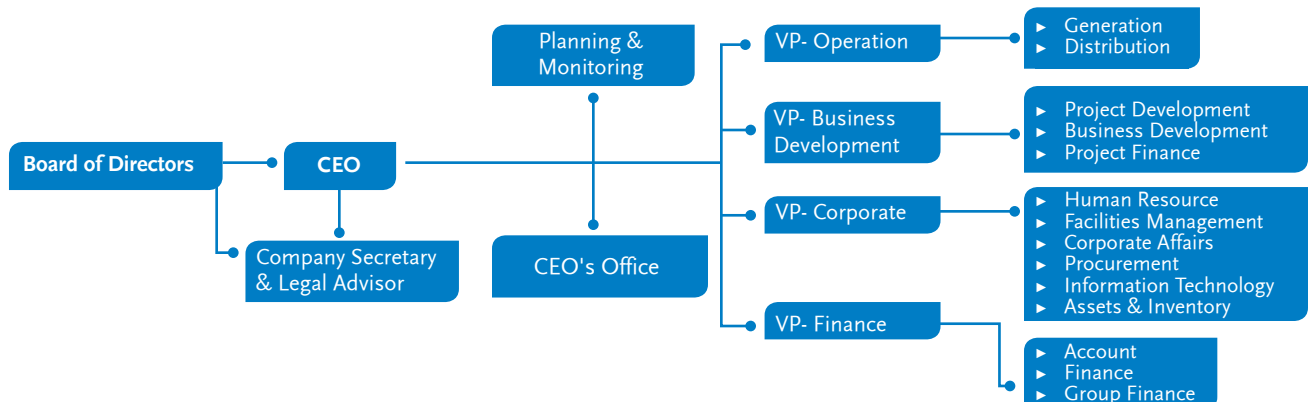
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally & socially responsible manner through:

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

## ORGANISATION STRUCTURE

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

place viz. Operations, Business Development and Project, Finance and Corporate which are being monitored by Planning and Monitoring Unit under CEO. The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors. The CEO is assisted by various functional heads and the management team.



# ETHICAL PRINCIPLES

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

BPC Code of ethics applies to all employees. Each one at BPC is expected to behave according to the principles contained in the BPC Code

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



## THE BPC CODE

### 1. ABIDE BY THE APPLICABLE LAWS & REGULATIONS GOVERNING OUR BUSINESS.

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

### 2. BE HONEST, FAIR AND TRUSTWORTHY IN ALL BUSINESS ACTIVITIES AND RELATIONSHIP.

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

### 3. AVOID CONFLICTS OF INTEREST BETWEEN WORK AND PERSONAL AFFAIRS.

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



**4. FOSTER AN ATMOSPHERE IN WHICH FAIR EMPLOYMENT PRACTICES ARE EXTENDED TO EVERY MEMBER OF BPC.**

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

**5. STRIVE TO CREATE A SAFE WORKPLACE.**

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

**6. STRIVE TO PROTECT THE ENVIRONMENT.**

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

**7. CORPORATE SOCIAL CITIZENSHIP**

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

**8. PRACTICE A CULTURE WHERE ETHICAL CONDUCT IS EXEMPLIFIED AND VALUED BY ALL EMPLOYEES.**

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

# HIGHLIGHTS OF THE YEAR

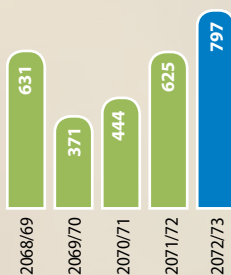
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- PPA for 37.6 MW Kabeli- A Hydropower Project signed.
- Financial closure of Kabeli-A HEP completed. Loan Agreement with IFC, Financing Agreement and Project Agreement with World Bank and Subsidiary Loan Agreement with HIDCL signed.
- Financial closure of 30MW Nyadi Hydropower Project completed.
- Net profit after tax NPR 575.9 million, 20% higher than last year.
- National Best Presented Annual Report 2015 awarded by ICAN.
- Best Managed Hydropower Company Award 2016 awarded by New Business Age.
- Total Generation 132.96 GWh after full operation of upgraded 9.4 MW Andhikhola Hydro-power plant.
- Distribution tariff rate of Andhikhola restructured by ETFC after 20 years.
- Number of distribution consumers under BPC increased to 48,599, 5% increase to last year.

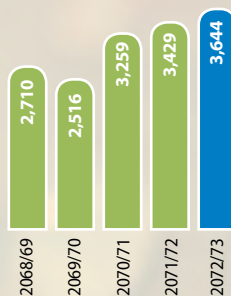


# FINANCIAL HIGHLIGHTS

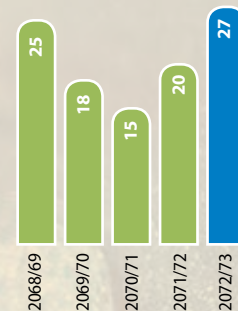
**EBITDA (IN NPR MILLION)**



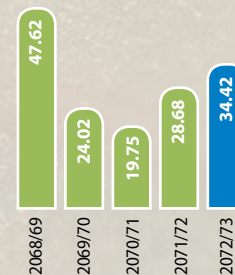
**NET WORTH (IN NPR MILLION)**



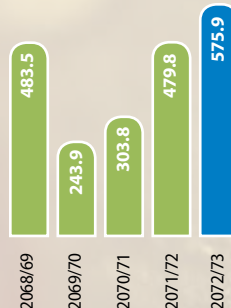
**DIVIDEND PER SHARE (IN NPR)**



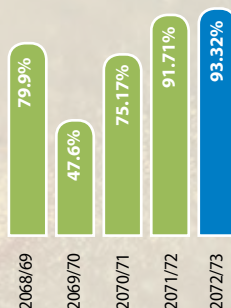
**EARNING PER SHARE (IN NPR)**



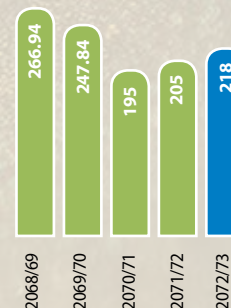
**NET PROFIT (IN NPR MILLION)**



**NET PROFIT MARGIN**



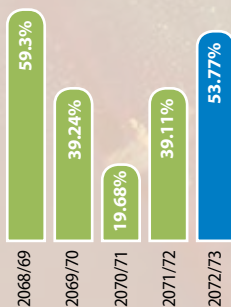
**BOOK VALUE PER SHARE (IN NPR)**



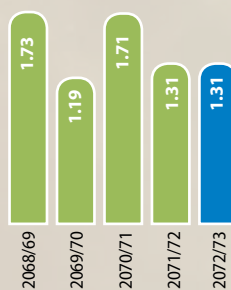
**PRICE EARNING RATIO (P/E)**



**GROSS OPERATING PROFIT MARGIN**



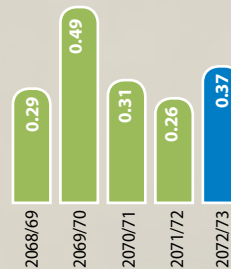
**CURRENT RATIO**



**RETURN ON CAPITAL EMPLOYED (ROCE)**



**DEBT TO EQUITY RATIO**



# BOARD OF DIRECTORS



*From left to right standing:*

**Mr. Rajib Rajbhandari**, Director  
**Mr. Pradeep Kumar Shrestha**, Director  
**Mr. Padma Jyoti**, Chairman  
**Mr. Shyam Kishor Yadav**, Director  
**Mr. Om Prakash Shrestha**, Director  
**Mr. Bijaya Krishna Shrestha**, Director  
**Mr. Chandi Prasad Shrestha**, Director  
**Mr. Divakar Vaidya**, Independent Director  
**Mr. Bijay Bahadur Shrestha**, Alternate Director  
**Mr. Sanjib Rajbhandari**, Alternate Director



# MESSAGE FROM THE CHAIRPERSON

With the promulgation of the new constitution in the country after a long transition, the people can finally see the rays of sunshine at the end of the political tunnel. However some challenges of implementation still remain. The political parties are still trying to address dissatisfaction among a few political sections through acceptable amendments. The successful implementation of the constitution will open more avenues for overall development of the country including the infrastructure and hydro projects, contributing to peace, stability and economic prosperity in the country.

Income and productive capacity in the country unfortunately took a hit due to the earthquakes in 2015. It further deteriorated because of the unrest and blockade in the Terai region bordering India from September 2015 to February 2016. Agriculture and services expanded only slightly, with trade, transport, and tourism contracting. The trade disruption and delays in reconstruction pushed manufacturing and construction sectors sharply down causing economic growth below 1%. This situation once again reinforces the importance of developing hydropower in Nepal on urgent footing. We believe that it is high time now to become self-reliant by reforming the country's economy and multiplying the opportunities of investment in the years to come.

The government has issued a white paper through "National Energy Crisis and Electricity Development Decade Plan" in February 2016 with the objective of ensuring energy security and develop 10,000 MW in 10 years. The role of hydroelectricity will be significant for ensuring this energy security. The plan lays down the required efforts to be put by different governmental bodies. The streamlining of policies, laws, regulations and guidelines is being done, though it should be done faster. The private sector is encouraged to contribute more to an accelerated development and strengthening of the power evacuation system. Fortunately the interest and the capacity of private sector have also increased in recent years and they are now able to implement medium size hydro projects from local financing.

We are proud to say that BPC has performed well with significant increment in both operating revenue and net profit compared to the previous year. BPC's own power plants are running efficiently. BPC has been providing reliable and efficient electricity supply and service to the rural households, and with the restructuring of the tariff of

Galyang distribution by Electricity Tariff Fixation Committee after twenty years, the revenue loss from this business is expected to reduce in coming years. The subsidiary and associate companies are also performing well. BPC is growing as a holding company. Two companies, Kabeli Energy Limited and Nyadi Hydropower Limited are set to start the construction works of 37.6 MW Kabeli-A Hydroelectric Project and 30 MW Nyadi Hydropower Project from the beginning of the year 2017. These projects will come into commercial operation from the year 2020. BPC has two more projects, 100 MW Lower Manang Marsyangdi Hydropower Project and 8.5 MW Chinokhola Small Hydropower Project in the pipeline. The construction of Chinokhola Small Hydropower Project will be done first to supply the construction power to Lower Manang Marsyangdi Project. The power generated from these projects will be evacuated to the national grid through the much awaited Marsyangdi Corridor Transmission Line. Adding new hydropower projects in the plan of the company will remain a continuing process.

We believe that BPC Team has performed well by resolving some project related issues and securing a stable distribution revenue stream for the coming years. It is commendable that the management has been able to reduce the operating and administrative costs of the company despite inflation in the economy. We are confident that Team BPC will have focus on operational excellence and maximization of return on investments. The support of shareholders and other stakeholders has been encouraging. We are confident of serving the nation through development of hydro projects and also securing the long term interest of shareholders of the company.

Lastly, but not the least, we would like to thank our valued shareholders and all stakeholders for their continued support and look forward to always working together for the betterment of the company.

**Padma Jyoti**  
Chairman



“We are confident of serving the nation through development of hydro projects and also securing the long term interest of shareholders of the company.”

# REPORT FROM BOARD OF DIRECTORS

Dear Shareholders,  
The Board has pleasure in presenting the annual report of the Company for FY 2072/73 to the esteemed shareholders in this 24th Annual General Meeting of shareholders.

## Overview of Achievement

The Company made significant progress in the FY 2072/73. The net profit has increased by NPR 96.1 million, which is 20% higher than the previous year. Two projects viz. 30 MW Nyadi Hydropower Project and 37.6 MW Kabeli-A Hydroelectricity Project have reached at the advance stage to start the construction works at the beginning of the year 2017. The power plants (12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant), owned and operated directly by the Company, succeeded to generate 132.96 GWh, which is 37.49% higher generation than the previous year. The sale of energy has increased to 132.72 GWh, an increase of 13.40% as compared to previous year's sale of 117.04 GWh. 2474 new customers (5% of the previous year's customer base) have been added in the distribution network of the Company, and the customer base of the Company has reached to 48,599, for serving the Nation in lighting the rural households. The Electricity Tariff Fixation Committee (ETFC) has restructured the tariff rates and services charges for the customers of

Andhikhola Distribution Centre with effect from Shrawan 1, 2073. This was done after twenty years, and it will help to reduce losses of the Company in its distribution business. The Company has been awarded with the Best Presented Annual Report Award, 2015 by the Institute of Chartered Accountants of Nepal (ICAN) and the Best Managed Hydropower Company award, 2016 by Nepal Business Age. These achievements have strengthened the long term value and financial capacity of the Company, and helped in streamlining the forward path of development of the Company in hydropower sector.

## Performance Review

### FINANCE

The Company earned the operating income of NPR 617.2 million in F/Y 2072/073 from the sale of electricity and the electricity services, registering an increase of 18% compared to previous fiscal year. The operating expenses have decreased by 10.4%. The gross operating profit has increased by 62.2%

## FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

PARTICULARS	FY 2072-73	FY 2071-72	% CHANGE
Income from the bulk sale of electricity	472.7	402.3	17.5%
Income from the retail sale of electricity and services	144.5	120.8	19.6%
Total operating income	617.2	523.2	18.0%
Operating expenses	285.3	318.5	-10.4%
Gross operating profit	331.8	204.6	62.2%
Other income including dividend received	584.5	522.5	11.9%
Administrative and other expenses	317.7	220.7	43.9%
Net profit	575.9	479.8	20.0%
Earnings per share (in NPR)	34.42	28.68	20.0%
Net worth	3,644	3,428	6.3%

mainly due to full phased operation of Andhikhola Power Plant, which was in operation only for less than four months at the end of previous year. The income from other sources including the dividend income has also increased by 11.9% with net increase of dividend by NPR 98.7 million. The net profit for the fiscal year stands at NPR 575.9 million compared to the last year's net profit of NPR 479.8 million. The financial highlights of the Company are briefly summarized in the table.

## Operations

### GENERATION BUSINESS

The Company directly owns and operates 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. Both plants operated satisfactorily and generated 132.96 GWh, which is 37.49% higher generation than the previous year. The sale of energy to Nepal Electricity Authority and supply of energy to the distribution business of the Company has increased.

The Andhikhola Power Plant, which was upgraded to 9.4 MW and commissioned on 22nd Chaitra 2071, generated 63.46 GWh with plant factor of 77.07%. Out of total available energy, 34.36 GWh was supplied to NEA including 3.17 GWh with free of cost as compensation to the Kaligandaki Hydropower Project. The sale of energy to NEA and the distribution business of the Company stands respectively 31.19 GWh (46.21%) and 31.48 GWh (46.65%).

Jhimruk Power Plant generated 69.50 GWh energy with a decrease of 9.07% as compared to previous year's generation of 76.43 GWh. The decrease in generation was due to high floods in wet months and low discharge in dry months. The previous year's generation was the highest ever recorded generation. Out of total available energy, 63.59 GWh (88.71%) was sold to NEA and 6.45 GWh (9%) was supplied to the distribution business of the Company.

The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts and reduction of generation. Likewise, low discharge in the rivers was also the reason for low generation in this Fiscal Year. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The

preventive maintenance was carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works to protect the project area and farmers' land was carried out.

### DISTRIBUTION BUSINESS

This year 31.278 GWh was sold to retail customers compared to 27.30 GWh in previous year, and 0.068 GWh was consumed in the staff quarters and distribution offices. The total sale has increased by 15% compared to previous year. Out of 31.278 GWh sold to retail customers, 27.108 GWh (86.66%) was sold to metered consumers, 0.458 GWh (1.46%) to unmetered consumers, and 3.714 GWh (11.87%) to industrial consumers. The system loss accounted 17.38%, which was 18.04% in previous year. The consumption pattern shows that there has been a slight increment in sale of energy to industrial consumers and reduction in energy sale to cutouts consumers than the previous year due to planned cutout conversion into the metered consumers. There was no load shedding in the distribution area of the Company.

By the end of the fiscal year 2072/73, the total consumer base of the Company has reached to 48,599 in the four hilly districts with addition of 2474 new consumers (2,384 domestic consumers and 90 industrial consumers) in the network, which stands an increase of 5% compared to previous year.

The Company has been suffering from substantial loss in distribution business since long. After 20 years of long duration, ETFC has restructured the tariff rates and services charges for the customers of Andhikhola Distribution Centre with effect from Shrawan 1, 2073. The restructured tariff rates are still cheaper by 36% than the tariff rates implemented by the government undertaking that distributes the electricity across the country. It is expected that the restructuring will help to reduce losses of the Company in its distribution business.

## Subsidiaries and Associates

**Himal Power Limited (HPL)** owns and operates the 60 MW Khimti Hydropower Projects, which began commercial operation on July 5, 2000. It registered a net profit after tax of NPR 3.1 billion

## REPORT FROM BOARD OF DIRECTORS

in the FY 2072/73, which was NPR 2.9 billion in previous year. The Company received NPR 528.5 million as dividend in FY 2072/73 from HPL, and NPR 429.4 million was received in previous year. The net worth of HPL as on July 15, 2016 was NPR 4.26 billion.

**Hydro-Consult Engineering Ltd. (HCE)** is an engineering consulting company, specialized in hydropower, irrigation and infrastructure projects, and also provides Environment & Social Impact Assessment Study services. HCE has been gradually expanding its services outside Nepal. In F/Y 2072/73, the company posted revenue of NPR 99.1 million from its business, which was NPR 91.6 million in previous year. The net profit after tax is reported at NPR 19.1 million with 38.5% increase compared to previous year's net profit of NPR 13.8 million. The Company received NPR 2.2 million as dividend from HCE in F/Y 2072/073 which was NPR 1.79 million in previous year. The net worth of HCE as on July 15, 2016 was NPR 73.3 million.

**Nepal Hydro & Electric Ltd. (NHE)**, established in 1985, manufactures and refurbishes hydro-mechanical equipment and is the leader in repairs of electromechanical equipment in Nepal. The other product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges. NHE recorded a consolidated turnover of NPR 1,512.8 million, which was NPR 550.0 million in previous year, and registered a net profit of NPR 63.3 million in the FY 2072/73, which was NPR 4.44 million in previous year. The net worth of NHE as on July 15, 2016 was NPR 271.5 million.

**Khudi Hydropower Ltd. (KHL)** owns and operates the 4MW Khudi Hydropower Plant. The plant was come into the commercial operation in FY 2063/64. KHL earned the revenue of NPR 80.9 million during the fiscal year, which was NPR 100.6 million in previous year. The high silt content during monsoon season and low discharge in the Khudi River hit both the generation and revenue in this F/Y. It registered a net profit after tax of NPR 17.0 million in the FY 2072-73, which was NPR 23.1 million in previous year. The net worth of KHL as on July 15, 2016 is NPR 162.7 million, which

includes accumulated loss of NPR 2.9 million still to be recovered.

Hydro Lab Pvt. Ltd. (HLPL) was established in 1998 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratory at HLPL are equipped with state of the art facilities, and the company has accumulated extensive experiences in hydraulic river model studies including hydraulic structures and sediment analysis. HLPL posted the turnover of NPR 14.7 million in the FY 2072/73 with a net profit of NPR 0.9 million. The net worth of HLPL as on July 15, 2016 is NPR 80.4 million.

**BPC Services Ltd. (BPCSL)**, a wholly owned subsidiary of the Company established in 2006, is pioneer in providing Operation and Maintenance Management services of power plant, distribution and transmission system in Nepal. BPCSL is also providing competent technical expertise to the companies involved in hydropower development. BPCSL earned the net profit of NPR 0.4 million in the FY 2072/73. The net worth of BPCSL as on July 15, 2016 stands at NPR 13.2 million.

**Kabeli Energy Limited (KEL)**, is developing 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis as per the Project Development Agreement concluded with the Government of Nepal. The project is expected to generate 205 GWh of saleable energy annually. The Company holds 54% shares in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company. The Company has invested NPR 166.3 million in KEL in equity & advance toward shares, and has receivables dues of NPR 210.8 million. The capital work in progress of the project stands NPR 645.4 million at the end of fiscal year 2072/73. The contracts agreements of the major works have been signed. This project will go under construction from the beginning of year 2017.

**Nyadi Hydropower Limited (NHL)**, a special purpose vehicle established with the majority stake of the Company, has been developing 30 MW Nyadi Hydropower Project. The project has obtained the Electricity Generation License for 35



years on 2069/11/03. The Company has invested NPR 466.7 million in NHL in equity share. The capital work in progress of the project stands NPR 435.2 million at the end of fiscal year 2072/73. The negotiations contract agreement for the major contract works is at the final stage. The project will go under construction from the beginning of the year 2017.

**Gurans Energy Limited (GEL)**, a joint venture company with InfraCo Asia, has been established for the purpose of acquisition, development, financing, construction, ownership and operation of hydroelectric power projects and other infrastructure projects in Nepal. Infra-co Asia holds the majority shares in the company with 60%, whereas The Company holds 40%. GEL holds 69% shares in Kabeli Energy Limited. GEL recorded a net loss of NPR 7.2 million in the FY 2072/73. The net worth of GEL as on July 15, 2016 is NPR 187.7 million, which includes accumulated loss of NPR 20.5 million till date.

## NEW PROJECTS

**Lower Manang Marsyangdi Hydroelectric Project (LMMHEP)** is located in the southern part of Manang district. The survey license of the project was obtained in 2009. The feasibility study, geo-technical investigation and environmental impact assessment (EIA) of the project have been completed, which were reviewed by international consultants. The detail design of the project is at advanced stage of completion. The hydraulic modeling has been carried out by Hydro Lab. The EIA Study Report of the project has been approved by the Ministry of Population & Environment on 2070/12/07(BS). The application for Generation License of the project has been submitted to the Ministry of Energy through Department of Electricity Development. The connection agreement for power evacuation and the power purchase agreement of the project are currently under process at NEA.

The project was initially optimized at 140 MW with a view to sell energy in the cross border market. However, because of the delay and uncertainty of timely completion of construction of cross border transmission lines and power purchase

agreements with the Indian buyers, the capacity of the project has been fixed at 100 MW suitable to conclude PPA with NEA as per the available guideline of NEA.

The energy generated from this project will be evacuated through the proposed 220 kV Marsyangdi corridor transmission. The loan agreement with European Investment Bank has been concluded by NEA for this part of transmission line. The location for 220 kV Manang hub has been finalized at Ghalanchowk village of Dharapani VDC in Manang District. The land acquisition process has been started by NEA for construction of the transmission hub. The Company has invested NPR 155.3 million in this project as capital work in progress as on end of the fiscal year 2072/73.

**Chinokhola Small Hydropower Project** is located near the headworks of LMMHEP. The survey license of this project was obtained on March 3, 2015 for the installed capacity of 5 MW. The feasibility study has been completed and the installed capacity of the project has been optimized at 8.5 MW. The MoE has acknowledged the optimized installed capacity of the project through issuing an amendment in the survey license of the project. The consent has been received from Ministry of Forest for EIA study on Shrawan 11, 2073. The EIA study and detail design of the project is ongoing. It is planned to develop this project with a view to provide the construction power to LMMHEP and to sell the energy to NEA. BPC has invested NPR 8.6 million in this project as capital work in progress as on end of the F/Y 2072/73.

## Management

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

## Human Resource

The number of employees counts 217 male and 24 female totaling 241 employees at the end of the FY 2072/73. The optimization of human resources base of the Company has been taken as the continue process. 19 different events, including trainings,

## REPORT FROM BOARD OF DIRECTORS

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

### BOARD OF DIRECTORS

There was a change in the Board. Mr. Om Prakash Shrestha was nominated in the Board as the Director representing Group B shareholders after stepping down by Mr. Ratna Sansar Shrestha, the Director representing IKN Nepal AS (IKNN), after IKNN divested its major chunk of shares to different individuals. The extra-ordinary general meeting of the Company held on July 11, 2016 has passed a resolution to optimize the structure of the Board for the purpose of further public offering of shares. The number of Directors will remain seven upon further public offering of shares of the Company.

### BOARD COMMITTEES

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

- **Audit Committee** has provided substantial input in the internal control and financial governance of the Company.
- **Finance and Budget Committee** helped the Board by scrutinizing and controlling the budgets of the Company and providing strategic directions in financial management of the company.

- **Project Steering Committee** completed its mandate after successful commercial operation of 9.4 MW Andhikhola Upgrading Project. This committee was dissolved on August 17, 2015.
- **Operation and Maintenance Committee** provided the guidelines to the management for operation, maintenance and operational efficiency of generation and distribution business of the Company.

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

### Shareholding Structure

There was no change in shareholding structure of the Company. A total of 2,591 shareholders were maintained at the end of F/Y 2072/073. The shareholding structure of the Company will change after further public offering of shares as per the extra-ordinary general meeting of the Company held on July 11, 2016. The process of further public offering is ongoing and it will be expedited after issuance of guidelines for further public offering by the Securities Board of Nepal.

### CORPORATE GOVERNANCE

BPC is committed for the good corporate governance. We strive to keep the trust of our stakeholders by being ethical, honest and transparent in the continuing pursuit of our



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

### **Health, Safety and Environment (HSE)**

BPC is certified with ISO 9001:2008 (Quality); ISO 14001:2004 (Environment) and ISO 18001:2007 (Occupational Health, Safety and Security management system, OHSAS) management systems. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and

accidental insurance policies of all employees have been maintained. Internal and external audits on management systems were carried out for continual improvement. The safe working environment has been ensured, with all safety measures in place.

### **Industrial and Business Relations**

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

### **Enterprise Risk Management**

Enterprise Risk Management System has been implemented through identification, assessment, planning and mitigation of the risks across the Company. The Company regularly analyzed the risks through the matrix of high low risk measurement



## REPORT FROM BOARD OF DIRECTORS

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

### Internal Control and Accountability

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented by the Management satisfactorily. M/s PL Shrestha and Company, the Chartered Accountants, performed the internal audit of the Company in FY 2072/73.

### Statutory Audit

M/s BRS Neupane & Co., Chartered Accountants, audited the books and accounts of the Company for FY 2072/73. The auditor has issued an unqualified report on financial statements of the Company.

### Shareholders' Suggestions and Communication

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

### Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length, as per the best industry practices. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2072/73.

### Award and Recognitions

The Company has been awarded with the Best Presented Annual Report Award, 2015 by the Institute of Chartered Accountants of Nepal (ICAN) for excellence in the presentation of its annual report, 2015 and the Best Managed Hydropower Company award, 2016 by Nepal Business Age at the event of 3rd Asian Paints Newbiz Business Conclave and Awards, 2016.

### Dividend

The Board has proposed to the 24th Annual General Meeting for distribution of 20% cash dividend and 7% stock dividend on paid up capital from the net profit of the F/Y 2072/73 and accumulated reserve & surplus of the Company.

### Business Environment and Investment Climate

The overall business environment and investment climate in hydropower sector is expected to improve in the coming years. The government has made an ambitious plan of implementing 10,000 MW in 10 years. In order to realize this plan, the government through all its concerned ministries and departments are streamlining the acts, regulations and guidelines to a favorable environment for the hydropower development. The government has assured that necessary security will be provided to the hydropower projects upon request from the developers. The GoN has declared 'National Energy Crisis Mitigation and Electricity Development Decade Plan, 2016 with the objective to identify and implement the measures to end the energy crisis significantly, to ensure energy security of the country within ten years through the sustainable development of electric energy, and to promote for the development of clean energy using the hydropower as the reliable means to end the energy crisis. The GoN has prioritized the



Shareholders participation in 23rd AGM

investments in energy sector in the budget for FY 2073/074. The GoN will provide incentive for the early completion of hydropower projects with full exemption of income tax for the first 10 years and 50% exemption thereafter for the next five years, if the projects are commissioned within 2022/23. In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned within 2022/23 and an additional 10 percent of such grant to those power producers who generate and connect the generated electricity to national grid within FY 2017/18. The 30 MW Nyadi Hydropower Project and 37.6 MW Kabeli- A Hydroelectric Projects will go under construction at full swing from 2017 with a view to commission the projects before 2020 and will be eligible for these exemptions and grants. Lower Manang Marsyangdi Hydropower Project and Chino Khola Hydropower Project will also get such incentives if the PPA process could be expedited and construction could be completed before 2022/23.

## The Year Ahead

The year 2017 is going to be an exciting and important to the Company. The much awaited Kabeli-A Hydroelectric Project and Nyadi Hydropower Project will start the construction works from the beginning of the year 2017. All efforts will be put to accelerate the construction works of these projects at full swing with a view to bring them into

the commercial operation by 2020. The preparatory works the projects in pipeline will be expedited. Further, efforts will be put to identify and add the new hydropower projects in the basket of the Company to serve the growth need of the Company and energy need to the nation.

## Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of Foreign Affairs-Norway, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the F/Y 2072/73.

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

Thanking you.  
On behalf of the Board of Directors

**Padma Jyoti**  
Chairman  
Date: 23 December 2016

# CEO'S PERSPECTIVE



Water Resources Management and Hydropower Development is a key to the sustainable socio-economic development of Nepal in which BPC has been set as an example for the Public Private Partnership (PPP) development model in the Hydropower sector.

BPC is committed to support the GoN's target of developing 10,000 MW in 10 years. The GoN has declared 'National Energy Crisis Mitigation and Electricity Development Decade Plan, 2016' with the objective to end load shedding, ensure energy security and promote the clean energy within the country. To implement the Plan, the GoN has given top priority for the investments in energy sector in the budget of FY 2073/074. To attract foreign investments, the GoN has offered incentive for the early completion of hydropower projects with full exemption of income tax for the first 10 years and 50% tax exemption thereafter for the next five years if the projects are commissioned within 2022/23 BS. The overall business development and the efforts of the GoN in creating such an environment for promoting and attracting the investment in hydro sector are very encouraging to private sector like BPC.

It is our pride that BPC is growing up, and its growth prospect is in the right path. In F/Y 2072/073, BPC increased its total operating income by 18% and net profit by 20% as compared to last year. Despite the high market inflation and increasing operating cost, BPC has been able to reduce operating expenses by more than 10%. The power plants (12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant) succeeded to generate 37.49% higher generation than the previous year despite the challenges of high floods in monsoon and low flows in the dry months. There has been increase in sale of energy by 13.4% and the customer base by 5% compare to last year. With the restructuring of tariff rates and service charges for the customers of Andhikhola Distribution Centre from the start of current fiscal year, the company will be able to reduce the losses from the distribution to some extent in coming years.

We are proud to announce that the two projects viz Nyadi and Kabeli-A HEP with total combined capacity of 68 MW have completed all preparatory works and full-fledged construction is going to start from the beginning of the year 2017.

BPC has two more projects, 100 MW Lower Manang Marsyangdi Hydropower Project and 8.5 MW Chino Khola Small Hydropower Project, in pipeline. Both projects are located in Manang District. The Chino Khola Small Hydropower Project will be developed in such a way so that the construction power to the Lower Manang Marsyangdi Hydropower Project is supplied from this project. The power generated from these projects will be evacuated through planned 220 kV Marsyangdi Corridor Transmission Line being studied and developed by NEA. The process of identification or acquiring of new projects is a continuous process and efforts will be put in to add more projects for the further development of BPC.

BPC has nine subsidiary and associate companies. Out of these nine, six companies are operating in the profit. The remaining companies are project development and investment companies and they are in right track of development. The overall performance of these companies is satisfactory and they have been able to make significant progress in the F/Y 2072/073. BPC will focus on performance excellence of these companies.

**“I believe Team BPC, motivated by the current positive outcomes, will continue their sincere efforts to generate better outputs and maintain a sustainable return for all stakeholders.”**

BPC has a solid foundation of competent human resources and effective business practices. At all times, BPC looks towards enhancing the growth and competency of the employees and strengthening of the existing management systems. Through the extensive use of updated well-established processes, policies and practices, BPC has been able to operate the businesses in a sustainable manner. Providing quality services, conservation of environment, and maintaining occupational health and safety has always been a priority for BPC.

BPC continued to be awarded with the Best Presented Annual Report Award, 2015 by ICAN. BPC has also achieved to win the Best Managed Hydropower Company Award, 2016 by Nepal Business Age. These achievements have strengthened the long term value of the Company to help in achieving the desirable growth in hydropower sector.

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

**Uttar Kumar Shrestha**  
Chief Executive Officer

# CORPORATE GOVERNANCE REPORT

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

## Corporate Value Framework

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

## Share Ownership Structure

The share ownership structure of the Company remained unchanged in F/Y 2072/073.

SHAREHOLDER	% HOLDING
<b>Group A</b>	
Government of Nepal	
United Mission to Nepal	13%
NIDC Development Bank Ltd.	
Nepal Electricity Authority	
<b>Group B</b>	
Shangri-La Energy Limited	75%
IKN Nepal AS	
Individual	
<b>Group C</b>	
General Public (including Employees)	12%

## Board of Directors and Board Committees

### BOARD OF DIRECTORS

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

### CHAIRMAN AND CHIEF EXECUTIVE

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

### RESPONSIBILITIES OF THE BOARD

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

The board has the following specific functions:

- To enhance shareholders value.
- To ensure compliance with the code of conducts, ethical standard and legal requirements;



## BOARD COMPOSITION

The Board of Directors of the Company is composed of eight Directors, which has been optimized for the purpose of further public offering (FPO) of shares and the number of Directors shall be seven after FPO. The existing Directors are as follows:

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

### Note:

- Mr. Om Prakash Shrestha was nominated as Director effective from November 15, 2015 after stepping down by Mr. Ratna Sansar Shrestha.

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

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	11	
Mr. Pradeep Kumar Shrestha	Director	12	
Mr. Bijaya Krishna Shrestha	Director	13	
Mr. Rajib Raj Bhandari	Director	12	
Mr. Ratna Sansar Shrestha, FCA	Director	3	Till 30 Bhadra 2072
Mr. Om Prakash Shrestha	Director	5	
Mr. Shyam Kishor Yadav	Director	12	
Mr. Chandi Prasad Shrestha	Director	13	
Mr. Divakar Vaidya	Director	12	
Mr. Bijay Bahadur Shrestha	Alt. Director	2	
Mr. Sanjib Raj Bhandari	Alt. Director	1	
Mr. Hari Bahadur Budhathoki	Company Secretary	13	

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

## BOARD MEETINGS

The Board had adopted an annual meeting calendar on Ashadh 20, 2072 for F/Y 2072/073. A total of thirteen meetings were held during the year. The Directors were communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 58 days and the shortest was 3 days. The attendance in the Board meetings was as follows:

## FEE AND ALLOWANCES OF DIRECTORS

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

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

## Board Committees

### AUDIT COMMITTEE

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

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

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

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

The Audit Committee had five meetings in this fiscal year.

### BUDGET & FINANCE COMMITTEE

The Budget and Finance Committee was set up on June 8, 2014 (Jestha 25, 2071) and restructured

on December 20, 2015 (Poush 05, 2072). Mr. Rajib Rajbhandari and Mr. Bijay Bahadur Shrestha were the members. This committee was further restructured on October 16, 2016 (Kartik 1, 2073). The committee consists of two Directors as under:

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

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

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

The Budget and Finance Committee had five meetings in this fiscal year.

### OPERATION AND MAINTENANCE COMMITTEE

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

NAME	POSITION
Mr. Divakar Vaidya	Convenor
Mr. Shyam Kishor Yadav	Member
Mr. Om Prakash Shrestha	Member

Head-Operation acts as secretary of the Operation and Maintenance Committee. CEO, functional heads attends the meeting.

The Operation and Maintenance Committee had two meetings in this fiscal year.



23rd Annual General Meeting of BPC.

### Relation with Shareholders

The 23rd Annual General Meeting was held on December 20, 2015. A total of 136 shareholders representing 90.80% shares attended the general meeting and three shareholders actively participated in the discussion. With appreciation for distributing cash dividend, the suggestions provided by the shareholders were mainly to further the operational excellence, disclosure of the progress achieved in the projects and subsidiaries, and expansion of the business of the company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analysed and implemented on merits in the business interest of the company.

The Extra-ordinary General Meeting was held on July 11, 2016 for the approval for issuing further public offering (FPO) of shares. A total of 97 shareholders representing 85.13% shares attended the meeting and seven shareholders actively participated in the discussion. The shareholders appreciated the proposal of FPO and they passed the resolution of FPO, in the meeting. The Company encourages and welcomes suggestions from shareholders.

### Communication with Stakeholders

The shareholders were communicated of the notice of 23rd annual general meeting and Extra-ordinary General Meeting and annual report of the company through newspaper, which were uploaded in the website of the company for ready information to the shareholders. Further, the minutes of meeting of the general meeting were published in the newspaper for information to the stakeholders. The quarterly financial reports of

the company were published in the newspaper for information to the stakeholders. The notice, report and other information communicated to the stakeholders through different means were uploaded in the web page of the company for their ready reference.

### Share Registrar

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

### Dividend Distribution

The 23rd Annual General Meeting had approved for distribution of 20% cash dividend from the net profit of F/Y 2071/072. The dividend was distributed to the shareholders as per the approval of the Ministry of Finance pursuant to the Section 182 (2) of the Company Act, 2063. The letter of approval was received on Poush 29, 2072 (January 13, 2016) for distribution dividend to the shareholders excluding the dividend entitled by UMN. The distribution of dividend was started on Magh 13, 2072 (January 27, 2016). The general public shareholders were requested to collect their dividend through publishing a notice in the Abhiyan Economic Daily. In the notice, the shareholders remaining to collect their dividend of previous years were also requested to collect their dividend. The dividend was distributed to the shareholders under Group A and Group B from head office of the Company and to the shareholders under Group C through Share Registrar, NMB Capital Limited.

### Transparency and Disclosures

BPC believes in transparency of its business operations and makes disclosures as required. The disclosures on related-party transactions, contingent liabilities and

other relevant information are made in the notes to the financial statements.

### Reporting to Regulators

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

### Risk Management

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

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

### Internal Control and Accountability

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

The company obtained the services from independent auditors to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit

Committee and are discussed with management for corrective and improvement measures.

The statutory auditor examines the financial statements in line with the Nepal Accounting Standard, prevailing Act, Rules and Regulations and issues his report. According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon and the financial statements give proper account of assets and liabilities.

### Management

Business operations and management of the company is managed by the management team under the leadership of CEO Mr. Uttar Kumar Shrestha, from last two and half years. The management improved performance during the FY 2072/73 with fulfillment of major tasks as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors and Board Committees.

### Management Review and Responsibility

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

The risk management committee has confirmed that there is an ongoing process of identifying, evaluating and managing significant risks. The potential risks, both internal and external, faced by the company and actions taken for mitigating such risk also reported in the meeting which is reported separately in the annual report.

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

## Shares held by the members of the Board of Directors in BPC

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	115985
2	Mr. Pradeep Kumar Shrestha	Director	115985
3	Mr. Rajib Rajbhandari	Director	59907
4.	Mr. Bijaya Krishna Shrestha	Director	116187
5	Mr. Om Prakash Shrestha	Director	None
6	Mr. Shyam Kishor Yadav	Director	None
7	Mr. Chandi Prasad Shrestha	Director	293
8	Mr. Divakar Vaidya	Director	None
9	Mr. Bijay Bahadur Shrestha	Alt. Director	123447
10	Mr. Sanjib Rajbhandari	Alt. Director	57992

## BPC's representation in its Subsidiaries and Associate Companies

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

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

## Top Management and Senior Executives

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

### SENIOR EXECUTIVES

S. NO.	NAME	DESIGNATION
1	Mr. Uttar Kumar Shrestha	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development and Project
3	Mr. Radheshyam Shrestha	VP – Finance
4	Mr. Tikaram Bhatta	VP- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Ratna Sambhava Shakya	Chief Manager – Finance
7	Mr. Bishnu Prasad Shrestha	Sr. Manager– CSR & Media Relationship
8	Ms. Rita Chitrakar	Sr. Program Manager- Operations
9	Mr. Bharat Raj Pandey	Deputy Chief Engineer (Deputed in Hydro-consult Engineering Ltd.)

## Brief Resume of the Board Members and Disclosures



### PADMA JYOTI, 70

#### CHAIRPERSON

- B.Tec. in Mechanical Engineering from IIT Kanpur, India and MBA from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 45 years of experience in industries and business operations

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



### PRADEEP KUMAR SHRESTHA, 56

#### DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than 32 years of experience in industries and business operations

- Managing Director, Panchakanaya Group of Industries
- Honorary Consul, the Republic of South Africa
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Past President, Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd
- Chairman, Mai Valley Hydropower Pvt. Ltd.
- Director, Shangri-La Energy Limited
- Director, HAMS Hospital
- Director, Scenic Housing



### RAJIB RAJBHANDARI, 59

#### DIRECTOR

- B. Com. (Honours) from Bombay University, India.
- More than 27 years of experience in industry, commerce and financial sectors.

- Proprietor, Mercantile Traders
- Director, Ace Development Bank Limited
- Director, Hits Nepal Pvt. Ltd.
- Director, Malpi International School
- Director, Mercantile Investment Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- Director, MNepal Limited.
- Director, Shangri-La Energy Limited.
- Director, Furniture Land Pvt. Ltd.
- Director, Index Furniture Nepal Pvt. Ltd.



### BIJAYA KRISHNA SHRESTHA, 68

#### DIRECTOR

- Electrical Engineer and MBA graduate from Southern Illinois University, USA.
- More than 36 years of experience in the banking, insurance, computer, and electronic sector

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



### OM PRAKASH SHRESTHA, 57

#### DIRECTOR

- Bachelor's in Civil Engineering from Punjab University, Chandigarh, India
- 29 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co
- Director, Interworld Trading



### SHYAM KISHOR YADAV, 47

#### DIRECTOR

- M.Sc. graduate in Hydropower Development from NTNU, Norway
- Under Secretary in the Ministry of Energy
- More than 21 years of experience in the power sector of Nepal
- Under Secretary, Ministry of Energy, GoN



### CHANDI PRASAD SHRESTHA, 62

#### DIRECTOR

- MBA and MA in Political Science from Tribhuvan University, Nepal
- Former Secretary of the Government of Nepal
- More than 28 years of experience in economy, finance, industry and commerce sector

None



### DIVAKAR VAIDYA, 65

#### INDEPENDENT DIRECTOR

- M.Sc. graduate in Electrical Engineering from Byelorussian Polytechnic Institute, Minsk (former USSR)
- More than 33 years of experience in power sector

None



### BIJAY BAHADUR SHRESTHA, 61

#### ALTERNATE DIRECTOR

- MBA graduate from Delhi University, India.
- 31 years of experience in the export sector and more than 16 years of experience in the capital market, banking, financial and insurance sectors.

Director, Soaltee Hotel Ltd.  
Director, United Insurance Ltd  
Director, Shangrila Energy Ltd  
Director, Snowline Carpet Pvt. Ltd.



### SANJIB RAJBHANDARI, 57

#### ALTERNATE DIRECTOR

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Environment

Nepal is currently facing power shortage and demand is growing by 50 MW annually which is an opportunity to the hydropower developers like BPC. India is also a power hungry giant neighbor; there is ample scope for export of electricity. Every sector of the national economy like agriculture, industry, transport, tourism, health or service sector needs energy. Rising prices and shortage of fossil fuels also demands for development of sustainable source for energy like hydropower. Nepal's large number of rivers with favorable gradient and topography provides conducive conditions for generation of power.

As Nepal's new constitution is in place, the overall business environment and investment climate is expected to be improved for the coming years. The new constitution will ensure peace, security and right of natural resources to the developers for the period as outlined in the licenses. The Fiscal Budget of GoN for the fiscal year 2073/74 also has prioritized the investments in energy sector with the allocation of significant budget and programs. Hydropower development has been the lucrative financing opportunity to banks and financial institutions. Development of different 400 kV cross border transmission lines are expected to expedite the cross boarder connection and remove hurdle of import and export of power.

GoN will provide incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned till 2022-23 BS. In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned by FY2022-23 and an additional 10 percent of such grant to those power producers who generate and connect the generated electricity to national grid within FY 2017/18. Lower Manang Marsyangdi HEP and Chino Khola Project will also get such tax incentives if the PPA process could be expedited and construction could be completed before FY2022/23.

Electricity tariff is expected to be adjusted timely based on the cost of production and NEA will be restructured into generation, transmission and distribution companies within coming fiscal year. NEA has developed a guideline for carrying PPA of up to 100 MW, which has eliminated the confusions regarding the PPA with NEA to this extent.

Every political party as well as the government has recognized development of hydropower sector as a key for country's economic growth.

## Financial Result

BPC concluded its year with net operating revenue of NPR 617.2.2 million which is 18% higher than previous year. The company's gross operating profit stands at NPR 331.8 million, an increment of 62.2% compared to previous year. The main reason for this increase was attributed mainly to full operation of Andhikhola Plant. The revenue from distribution business recorded an increment of 17.4% to NPR 134.5 million, while income from generation business increased by 17.5% to NPR 472.7 million.

Operating expenses have decreased by 10.4% this year. The main reason of this is reduced energy purchased from NEA by NPR 73 million due to full operation of Andhikhola this year..

BPC received NPR 523.6 million as dividend income from Himal Power Limited (Khimti-60 MW) compared to NPR 433.1 million in previous year. This increase in dividend income has resulted positive impact in the overall profitability of the company. The net income for the year stands at NPR 575.9 million compared NPR 479.8 million previous year, an increment of 20.7%. The net worth of the Company stands at NPR 3,644 million, an increase of 6.4% compared to last year. Additional investment in shares (unlisted companies) is NPR 353.4 million with an increment by 32.5%.



### CONSOLIDATED FINANCIAL RESULT

BPC has made an investment in various strategic units to empower its skill and service offerings. Addressing the need of its various domestic\ international partners & subsidiaries in the form of joint venture and strategic alliance (equity based), consolidated financial statements has been prepared in accordance with the provision of Company Act 2063 and NFRS.

### NET CAPITAL INVESTMENT

Gross Capital investment in shares and projects was NPR 1,647.3 million as on FY 2072-73 as compared to NPR 1,267.6 million in FY 2071-72. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW) and Kabeli project (37.6 MW) and LMMP (100MW).

### Contribution towards National Economy

The hydropower development has been considered as one of the major factors of economic development of country. Nepal has vast water resources and conducive conditions for generation of hydroelectricity for internal use and as export commodity. Despite of immense hydropower generation potential, the total generation of hydro-electricity in our country is currently limited to only 802 MW, which is less than 2% of its feasible potential of 42000 MW. BPC has been operating its two power plants and investing in 60 MW Khimti and 4 MW Khudi with total of 34 MW as equity. Its contribution in national hydropower is 4.2% and in terms of energy it is more than 5% of total generated by NEA and IPPs in Nepal. It is more than 10% contribution as compared with the contribution of IPP generated MW only. Out of total served energy in the country 50% has been imported from India in FY2072/73.

BPC has been supplying reliable electricity to its retail customers in Palpa, Syangja, Pyuthan and Arghakhanchi districts as well as the national grid. Total consumers electrified by BPC's Andhikhola and Jhimruk power plants are around 48,600 in rural areas, which is around 1.7% of total national grid connected consumers in the country.

### Generation Business

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

During the fiscal year 2072/73, total generation was 132.96 GWh. About 70.38 % of total available energy was supplied to NEA and 27.26 % to BPC distribution.

Andhikhola Power Plant generated 63.46 GWh with plant factor of 77.07%. Out of total available energy, 34.36 GWh was supply to NEA including Kaligandaki compensation 3.17 GWh, 31.19 GWh (46.21 %) was sold to NEA, and 31.48 GWh (46.65%) was sold to BPC Distribution for local supply. The plant couldn't able to supply the contract energy to NEA due to the continuous increase of local distribution and low discharge in the river in dry months.



Andhikhola Damsite after upgradation

In Andhikhola plant, continuous supply of cooling water is the major problem. Cooling system used to get failure, which effects on the operation of plant and leads to outage. The preventive maintenance was carried out as per the schedule.

Jhimruk Power Plant generated 69.50 GWh with plant factor of 66.11 %, a decrease of 9.07 % (6.93GWh) over the last year. Out of total available energy, 63.59 GWh (88.71 %) was sold to NEA and 6.45 GWh (9%) was sold to BPC Distribution.

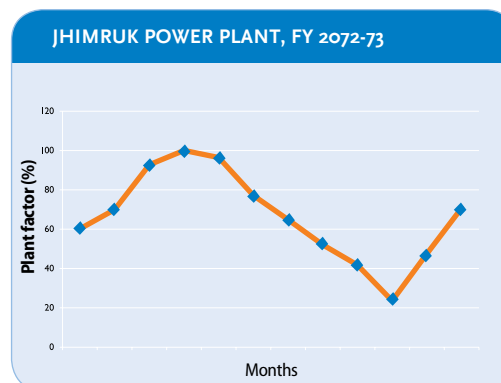
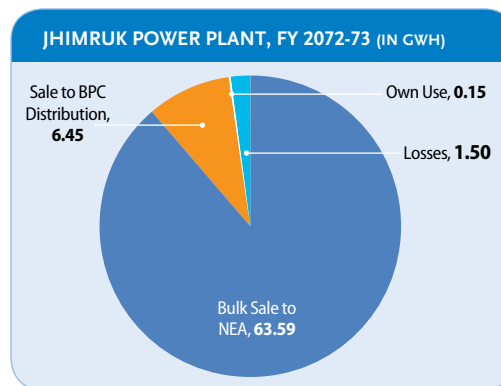
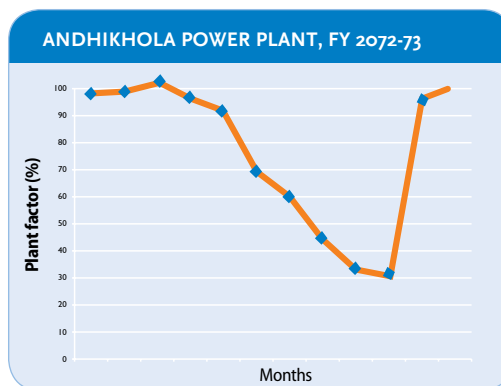
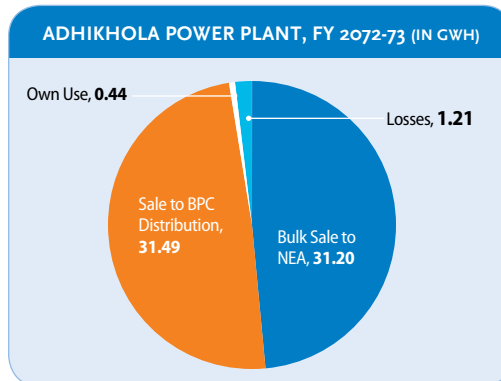
The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried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

**FUTURE PROSPECTS**

It is planned to generate 71.46 GWh from Jhimruk plant assuming that NEA will take the additional energy throughout the year and 70.24GWh from Andhikhola plant. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on Average River Discharge of both plants and estimated outages.

Due to energy deficit at Andhikhola Plant during dry months as a result of increased distribution, it has been planned to revise the Contract Energy to be supplied to NEA as per PPA. It has also been planned to modify the cooling system of Andhikhola plant.

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



## Distribution Business

During the fiscal year 2072/73, the total energy purchased from Generation was 37.939 GWh which is about 14% more than that of last fiscal year. Increase in purchase can be attributed to network expansion and increment in household consumption (11% increase in consumption per household compared to last year for EDC Galyang and that for EDC Darimchour is 5%). Further, there is no load shedding in the area of distribution at Galyang after Rangkhola Interconnection.

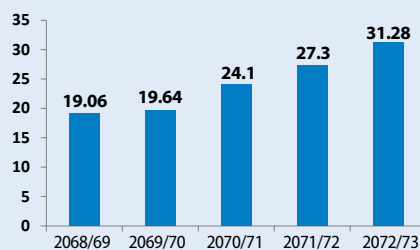
This year 31.278 GWh energy was sold to retail customers and 0.068 GWh was consumed in the staff quarters and distribution offices. The total sale has increased by 15 % compared to last year due to the aforementioned reasons.

Category	Energy Sale (GWh)		Sale (%)	
	2071/72	2072/73	2071/72	2072/73
Cutout	0.554	0.458	2.03	1.46
Meter	23.68	27.108	86.73	86.66
Industry	3.068	3.714	11.23	11.87
<b>Total</b>	<b>27.30</b>	<b>31.278</b>	<b>100</b>	<b>100</b>

Total revenue in this year was 134.53 million rupees, an increase of 12% compared to last year. Out of which 20.69 million rupees (15.38%) was from industry, 112.65 million rupees (83.73%) from metered consumers, and 1.2 million rupees (0.89%) from unmetered consumers. Though the energy sale has increased by 15% revenue generation has not been up to the same level. Although, the growth of sale and revenue for EDC Darimchour is proportionate, for EDC Galyang energy sales has increased by 15% compared to last year whereas revenue has only been increased by 11%. The primary reason for such un-proportionate growth of energy sale and revenue is the tariff structure at EDC Galyang. The structure allows high consumption of energy for low electricity rates.

The total energy loss this year was 6.59 GWh, almost 17.38% of the total purchase whereas the loss last year was 18.04%. The slight decrease in loss of the system as compared to last year is mainly due renovation activities carried out over the years which include upgrading of 33 kV Syangja Line, conversion of 1 kV into 11 kV and other renovation activities carried out on regular basis over the past few years.

### ENERGY SALE IN GWH



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

By the end of the fiscal year 2072/73, total of 48,599 customers have been electrified in the four districts marking an increase of 5% compared to last year. The consumer addition was mostly due to network expansion done last fiscal year (FY 2071-72) as this year network expansion was delayed due to the post-earthquake effects and blockage which lasted for a few months. The consumers have been categorized into three types and their status is as given below.

By the end of the year, a total of 2,294 domestic consumers and 90 industrial consumers were newly connected. In addition to this, conversion of cutout consumers into meter was also sought. A total of 285 cutouts were converted into meter.

Necessary system expansion for consumer addition was made possible through installation of 14 new transformers of 11 kV & 33 kV increasing the installed capacity from 10,940 kVA to 12,350 kVA. Additional 27.91 km (ckt-km) 33 kV network, 2.0 km (ckt-km) 11 kV network and 150.83 km (ckt-km) low voltage line was also constructed this year.

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

The total Users Organizations this year is 118.

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

**FUTURE PROSPECTS**

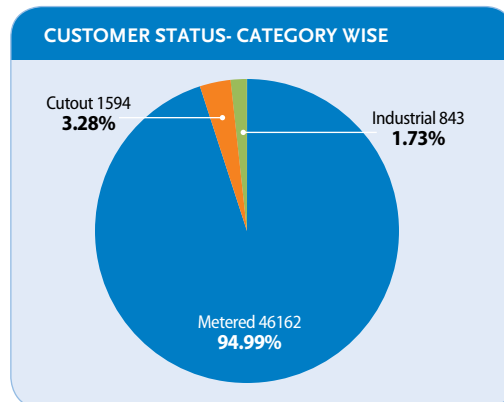
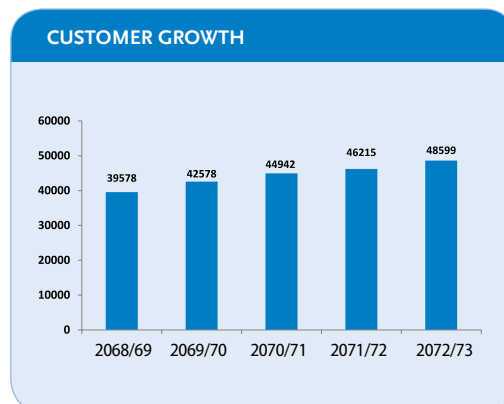
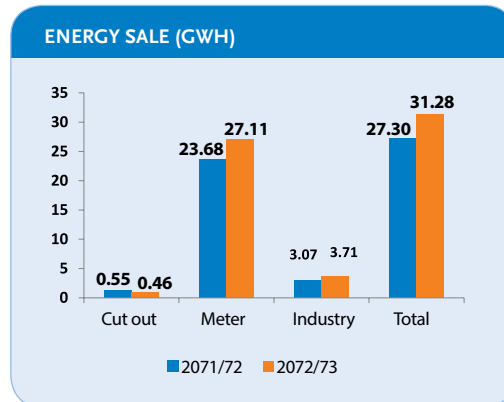
As a part of system expansion, 4,074 new domestic consumers & 81 industrial consumers are planned for addition in the following year (FY 73/74) by construction of 15.49 Km 33 kV and 195.0 km of low voltage line and addition of 7 nos. of 33 kV transformers. Total number of UOs is targeted to keep 118 nos in the FY 2073/74 in the company.

Further distribution also plans to continue demand side management (DSM) in order to lower the existing consumption pattern of retail customers which was initiated last year. Proposed initiative includes distribution of Light Emitting Diode (LED) bulbs to customer free of cost. Further, various awareness programs and printed flyer distribution are also planned for information dissemination. BPC also plans to install energy meters in distribution transformers of all the remaining feeders for loss monitoring. As a part of energy management for distribution, alternate energy sources will be explored particularly solar energy.

**Project Development**

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

**Kabeli-A Hydroelectric Project (KAHEP)** is a Peaking Run-Of-River (PROR) type project with



a peaking reservoir constructed by damming Kabeli River at headworks. The water from the reservoir will be diverted through a 4.5 km long tunnel into a Power House located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132kV Kabeli Corridor Transmission line from the switchyard located at Power house of the

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

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

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

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

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

Track opening for 24 km of access road to the project has been completed. Bunker construction for explosive storage has also been completed at Phidim Nepal Army Barrack.

Contract for Civil and Hydromechanical works has been signed on October 12, 2015. The Owner's Engineer has been appointed on September 16, 2015. The Contract agreement for Electromechanical works has been signed.

BPC has already invested around US\$ 4 million in KEL. The construction of the project will commence in the beginning of 2017 and the project is expected to be commissioned by February 2020.

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

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

The access road up to powerhouse site including bridge over Marsyangdi River has been constructed. The construction of the access road to the Surge shaft is completed recently including an alternative road via the camp for the damaged part of the road along the river near the powerhouse toward the headwork.

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

Call for the Tender (International Competitive Bidding ICB) of Civil and Hydro-mechanical Works under EPC contract model have been floated. It is intended to include Electromechanical Works as well in the EPC Format. The selection of the contractor is in the final stage. For the works of the Transmission



Powerhouse area of Lower Manang Marsyangdi HEP.

Line, a separate tender will be called. The construction of the project is expected to start by the first quarter of 2017.

The IEE study for the Nyadi Hydropower Project was completed and approved from the Ministry of Energy on 2068/05/21. EIA study of the Transmission Line was completed and submitted to Ministry of Population and Environment (MoPE) for approval.

Most of the land required for the project has already been purchased. The contract for the government land lease from the MoPE has been signed including the approval of tree cutting on 2072/12/03 (March 16, 2016). The total cost of the project including financing costs and IDC is estimated to be about US\$ 57 million. BPC has already invested US\$ 4.5 million in the project.

**Lower Manang Marsyangdi Hydropower Project (LMMHP)**, Butwal Power Company Ltd received a survey license of the project in 2009. The project is located in the southern part of Manang district. The project lies along Beshisahar- Chame road. Track opening of this road has been completed and the motorable track now is operational with continuous improvement and upgradation.

Feasibility study and the geotechnical investigation of the project have been completed. The

feasibility, EIA and designs have been reviewed by international consultants. Detail design of the project is at advanced stage of completion. The hydraulic modeling has been carried out by Hydro Lab. EIA Study has also been approved from the Ministry of Population & Environment on 2070/12/07. The application for Generation License of the project has been submitted to the Ministry of Energy through Department of Electricity Development. Once the PPA process is expedited and connection agreement is signed with NEA, the process of issuance of generation license will be expedited at DOED.

The project capacity has been re-optimized at 40 percentile flow exceedance and fixed at 100 MW to meet the requirement of NEA guideline for the PPA. Accordingly, an application for PPA together with the required documents has been submitted to NEA on 2070/09/12. BPC has already invested about US\$ 1.6 million in the project. The project was optimized at 140 MW with a view to sell energy to cross border market. However, because of the uncertainty of timely completion of construction of cross border transmission lines and power purchase agreements with the Indian Buyers, the capacity of the project has been fixed at 100 MW to conclude PPA with NEA as per the available guideline with NEA.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from this

project. The loan agreement with European Investment Bank has been concluded by NEA for this part of transmission line. The EIA study is required for this project as it is located in the Annapurna Conservation Area. The 220 kV Manang hub location has been finalized at Ghalanchowk village of Dharapani VDC in Manang District. The land acquisition process has been started by NEA for the hub construction. The powerhouse of LMMHEP is located in the same VDC.

**Chinokhola Small Hydropower Project (CKSHP)**, survey license was awarded to BPC by DoED/ MoE on March 3, 2015. A consulting agreement with HCEL was signed to carry out feasibility study, EIA and Detail design of Chino Khola SHP. The feasibility study has been completed and the project capacity has now been fixed at 8.5 MW at 40% flow exceedance. Accordingly, the survey license has been amended by DOED. For the EIA study, the consent has been received from Ministry of Forest on Shrawan 11, 2073.

The project will be developed for the generation of construction power for LMMHEP and connected in INPS together with LMMHEP. The EIA study and detail design is ongoing.

## Corporate Overview

BPC is certified with ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) through the Certification Body, DNV (Det Norske Veritas). All three management systems were integrated for its effective implementation. Internal Audits are conducted twice a year throughout the company by trained internal Auditors. Audit reports with corrective and preventative action (CAPA) are presented and discussed in the management review meeting along with significant changes that could affect the performance of the product as well as the processes.

Process manuals and guidelines are in place in all SBUs to carry out its day to day activities. Performance management system is implemented and various trainings were imparted for capacity building and professional growth of the employees



CEO awarding the winner of Sports activities.



Long service award presented by the Chairman.

and to meet future requirement of the company. The assets of the company are adequately insured against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity and burglary, revenue risk (covering loss of profit) and third party liability including materials damage. The construction works of eight storey building of Head office is in its final stage of completion. Ground, first, fourth, fifth and seventh floors have been rented to our subsidiary companies and outside parties.

Environment friendly, reliable and secured data centre with high availability is established with reliable network structure in the Head Office. Optical fibre intranet connectivity is in place from







Long Service Award winner employees with Board of Directors and Management at BPC 50th Anniversary Program.

Head Office to site offices to transfer and access the data to and fro through VPN technology. Unified communication software is installed for fast communication, video conferencing, file sharing etc. among head office and branch offices for improving productivity and security. maintaining safe, secured and risk free working environment in ICT.

With quality, health, safety and environment management system in place, BPC has been able to meet the expectations of its customers by delivering quality products thereby ensuring safe working environment to the employees. BPC regularly seeks feedback from its customers to address and communicate their concerns. Environmental monitoring is also done and the determined controls pertaining to all environmental aspects as per Environmental Aspect Register are followed. Companywide legal audit was conducted to ensure all the statutory and regulatory requirements are complied. The applicable legal requirements imposed by external agencies are mentioned under Legal Register and are considered while determining requirements of products.

Management Review Meetings are held twice a year as scheduled programs. However, it is also held in between when some important issues demand urgent management attention and action. It is a forum where all key personnel of the company meet to discuss and develop strategy for continual improvements of the company.

#### HUMAN RESOURCE

BPC's total human resource at the end of the fiscal year 2072/73 was 241. Nineteen different events, including trainings, workshops and seminars, were imparted for capacity building and professional growth of the employees as well as to meet future requirement of the Company.

#### HUMAN CAPITAL AT THE END OF FY 2072/73

Total No. of employee	Regular	Contract	Technical	Non-Technical
241	212	29	138	103

# RISK MANAGEMENT

Risk management is an important part of BPC and has become an urgent need to address through a proper mechanism. It includes the risk identification, risk assessment, risk planning and risk monitoring. BPC has been continually assessing and monitoring strategic level risk by Top Management, tactical level risk by SBU level and operating level risk by the operational management level to ensure that they do not adversely affect the organizational objectives. Risk management is based on the principle that risk evaluation is an integral part of all business activities. Consequently, the business areas have the main responsibility for risk management, utilizing established policies and procedures. All probable risks have been analysed and risk assessment scorecard has been developed to keep a track of them and ensure timely action for mitigation of such risks.

## Generation Risk

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

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

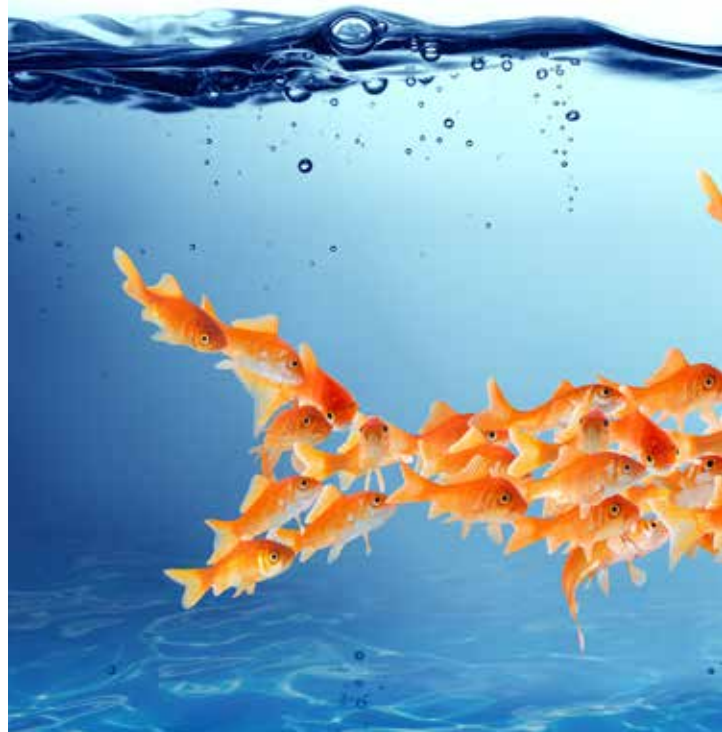
## Distribution Risk

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 5% and energy

purchase by 14% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also pouring in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it has been already initiated to revise the existing distribution tariff.

## Project Development Risk

BPC has a number of hydropower projects under development simultaneously and has been experiencing challenges and risks in executing these projects. The risks associated with the project development are categorized as technical, socio-political, financial and legal. Technical risks are poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise socio-political risks are demand of financial support, work interruptions, labour strike, intimidations, poor performance of contractors/consultants, road blockade etc. Financial risks are price hike, time and cost overrun, fluctuations of bank interest rates, forex, penalties, energy deficit etc. Legal risks could be delay in government approvals, import of most of materials/equipment from third countries, environmental issues and unnecessary burden custom /duty clearances.



## Financial risk

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

## Investment Risk

BPC has made equity investment in its subsidiaries and associates considering the technical and financial feasibility of those companies. Among the subsidiaries, Nyadi Hydropower 30 MW and Kabeli – A 37.6 MW projects are at construction phase now and scheduled to be completed within four years. Financial and non-financial risks such as Interest rate risk, foreign currency risk, price risk and geological risks are associated with these

investments during the construction periods. To mitigate these risks, necessary controlling measures have been undertaken.

## Corporate Risk

The company faces a number of other risks while carrying out its activities at the corporate level. Some of these risks, mostly internal in nature, that are regularly encountered during office management. These are difficult in implementing new policies and plans, disturbance and agitation, data loss in the server, difficulty in implementation of management system, risk of natural disasters i.e. earthquake, flood, landslide, fire, strike/riots/protest etc. All risks have been analyzed categorically covering HR, economic, social, environmental, and political factors and prepared a matrix to mitigate those risks.

BPC has implemented the Enterprise Risk Management System and is managing the risks through the process of identification, assessment, mitigation, and monitoring the risks associated with the activities being carried out by the different business across the company. A Risk Register is maintained, which is updated in a timely manner to make sure all possible risks relevant to our business are accounted for and its mitigation measures clearly outlined. Suitable risk ratings are derived based on the impact and likelihood of occurrence of identified risks and appropriate mitigation measures are developed which suits best for the company's business.



# MANAGEMENT TEAM

*From left to right sitting:*

**Ms. Sabala Shrestha**, Manager QEMS/OHSAS

**Mr. Prakash Kumar Shrestha**, Head- Operations

**Mr. Pratik Man Singh Pradhan**, VP- Business Development & Projects

**Mr. Uttar Kumar Shrestha**, Chief Executive Officer

**Mr. Radheshyam Shrestha**, VP- Finance

**Mr. Tika Ram Bhatta**, VP-Corporate

**Ms. Ritambhara Basnet**, Manager-Legal



***From left to right standing:***

- Mr. Shyam Thapa**, Manager Jhimruk HPC
- Mr. Ganesh Prasad Khanal**, Manager- Business Development & Project
- Mr. Gokul Krishna Shrestha**, Manager- Account
- Mr. Resham Bahadur Pun**, Manager- ICT
- Mr. Sobhakar Panta**, Chief EDC- Galyang
- Mr. Yagartha Pokhrel**, Manager-Generation
- Mr. Rakesh Kumar Yadav**, Sr. Fish Biologist
- Mr. Bishnu Prasad Shrestha**, Sr. Manager- Corporate Affairs
- Ms. Rita Chitrakar**, Sr. Program Manager
- Mr. Ratna Sambhava Shakya**, Chief Manager, Finance
- Mr. Dol Prasad Kharel**, Manager Andhikhola HPC
- Mr. Puran Lal Manandhar**, Manager Revenue
- Mr. Prabal Bhattra**, Manager Distribution
- Mr. Binod Shrestha**, Manager HR
- Mr. Durga Lal Shrestha**, Manager Facility Management



# SHAREHOLDER INFORMATION

## Trading Information

Market response for BPC stock was satisfactory in FY 2072-73. Quarterly key figures related to BPC shares in stock exchange for FY 2072-73 are given below:

### Summary of BPC Share Transaction for FY 2072-73

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	812.29	350.94	466	691	580	595	619.35	51
Second	76.83	42.24	254	620	513	601	555.43	47
Third	157.16	96.50	497	688	573	610	602.11	53
Fourth	797.11	623.75	2715	944	597	894	722.98	64
<b>Total</b>	<b>1843.39</b>	<b>1113.43</b>	<b>3932</b>	<b>944</b>	<b>513</b>	<b>894</b>	<b>624.96</b>	<b>215</b>

### Shareholding Pattern as on fiscal year ended 31 Ashad 2073

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
<b>PROMOTER GROUP</b>			
<b>NEPALI</b>			
Individual (Physical)	3	306	0.00
(Demat)	7	695,910	4.16
Government (Physical)	1	1,538,223	9.19
Corporate Bodies (Physical)	1	11,667,350	69.73
Institutions (Physical)	2	188,883	1.13
<b>FOREIGN</b>			
Corporate Bodies (Demat)	1	327,487	1.96
Institutions (Physical)	1	283,395	1.69
<b>Total</b>	<b>16</b>	<b>14,701,554</b>	<b>87.86</b>
<b>PUBLIC SHAREHOLDING</b>			
Individuals (Physical)	654	512,150	3.06
(Demat)	1,921	1,518,523	9.08
<b>Total</b>	<b>2,575</b>	<b>2,030,673</b>	<b>12.14</b>
<b>TOTAL</b>	<b>2,591</b>	<b>16,732,227</b>	<b>100.00</b>

### Classification of shares by number of holdings

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
Holding shares upto 50 (Physical)	136	3,379	0.02
(Demat)	166	5,732	0.03
Holding shares between 51 to 100 (Physical)	86	7,220	0.04
(Demat)	321	29,908	0.18
Holding shares between 101 to 500 (Physical)	253	58,933	0.35
(Demat)	932	272,895	1.63
Holding shares between 501 to 1000 (Physical)	75	56,399	0.34
(Demat)	263	207,625	1.24
Holding shares in excess of 1000 (Physical)	112	14,064,376	84.06
(Demat)	247	2,025,760	12.11
<b>TOTAL</b>	<b>2,591</b>	<b>16,732,227</b>	<b>100.00</b>

# CORPORATE SOCIAL RESPONSIBILITY

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



Concrete ring production

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

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

BPC has unremitting its support in Jhimruk Project Area for social uplift and environmental activities as part of CSR through Social Uplift Program (SUP). As agreed with the steering committee; representatives from ten VDCs, the Contract Agreement with BPC and Jhimruk Integrated Development Center (JIDCO)



Construction of drinking water reservoir tank



Irrigation Canal Construction

was made to implementing the SUP activities for the year 2072/73 in ten VDCs of Pyuthan namely Nayagaun, Dakhakwadi, Ramdi, Khaira, Dhawang, Pakala, Raspurkot, Bijuli, Baraula and Dangwang. To date the activities of SUP were mostly focused to provide guidance and funding to promote income generation and community development activities through Irrigation and drinking water System Improvement including skill and capacity building at local level, Developing Micro Enterprises and other Income Generating Activities.

The followings are the outcomes of the SUP till date of the year 2072/73;

- Repair and maintenance of 11 irrigation canals.
- Repair and maintenance of 10 drinking water system providing access to clean and safe drinking water to the villagers. In addition one new drinking water scheme was established at Bijuli-5 Arlabang this year. For this new scheme the contribution in kind and cash from VDC, DWCC, and community as well made.





Mushroom production

- As per the data provided by the JIDCO these contribution is about 60:40 in ratio.
- Community was benefitted by farm and non- farm based micro enterprises. This year they have been participated in cow farming enterprise as well.
- Long and short term training like Arc Welding, Concrete Block and Ring making training has enhanced the local capacity for income generation activities.
- In addition to this, BPC has also continued it's support for river training works at project area to protect the community agricultural land.

Similarly, at the Andhikhola Centre, various supports were provided for infrastructure development, irrigation and water supply, provided scholarship for study in Galyang Multiple College and other supports in different social activities. The continuity on Landslide protection works at Chartikhola was also carried out.



Repairing and maintenance of irrigation canal

# HEALTH, SAFETY & ENVIRONMENT

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BPC considers that a good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. Therefore, BPC continuously monitors its environmental facets and works related hazards in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, incidence and occupational sickness. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment. Annual routine health check-up was conducted of all BPC employees. No serious illness was found during thorough check-up to any employee. No accident, incident and serious injuries have been reported during the year.

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

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

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

BPC has been recertified with three ISO standards 9001:2008 Quality Management Systems, ISO14001:2004 Environment Management Systems and ISO 18001:2007 Occupational Health and Safety on 21th May 2014 validated till 24 may

2017. As per Management System Certification Agreement between DNV (Det Norske Veritas) GL, India (Certification Body) and BPC, the numbers of Periodic Audit to be performed during a 3 year audit cycle (May 2014 – May 2017) are 2 audits. In this process, 1st IMS Periodic Audit was conducted successfully on 14-16 December, 2015 at BPC site offices, Andhikhola Hydroelectric Center, Butwal Liaison office and BPC Corporate Head Office, Kathmandu. Internal Audit being the requirement of ISO is a mechanism of continual improvement, means of communication about the result of audit and helps to provide ways to improve on them. To improve management system, Internal Audits are conducted twice a year throughout the company by trained internal Auditors. In this process, IA-17 was conducted throughout the organization i.e. BPC site offices (Andhikhola, Jhimruk, Butwal) in April- May, 2016 and the head office was audited Jun-July, 2016. Audit reports including corrective and preventative action (CAPA) are presented and discussed in the management review meeting along with significant changes that could affect the performance of the product as well as the processes.

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

# SUSTAINABILITY

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

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

## Social Responsibility Initiatives

BPC is receptive to the excellent social performance and situation for the peoples of the project area. BPC has conducted several social development programmes in its project area to keep excellent social performance of the people of the project area. Jhimruk downstream mitigation project (JDMP) is the one of the best examples of the social initiatives.

Similarly, BPC conducts Social Impact Assessment Study to set the socio-economic baseline before

the implementation of projects, which helps in identifying the impacts and recommending the mitigations for the sustainable implementation of social development projects in its project area. Jhimruk downstream mitigation project (JDMP), where, BPC has been able to mobilize resources to implement activities in the field of social, environmental and economic development. Similarly, awareness programs, capacity building trainings have also been carried out to enhance skills and knowledge enabling communities to initiate new economic activities. The company has been assisting people in and around its project areas to uplift their social and economic standards through prioritizing employment and other income generating activities. As a result, BPC is confident that these endeavours will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development.



### Environmental Relative Initiatives

Beyond its core business, BPC is sensitive to the environmental concerns in its project area. BPC has always kept conservation and protection of environmental resources as one of its key strategies while carrying out its business. BPC not only provides electricity through its generation project but also focuses on green energy and sustainable development. BPC is constructing its new office building based on principles of the Green Building, which is a holistic approach that addresses the concerns of environment protection, resource conservation, and energy efficiency ensuring the highest level of renewable energy use and healthy indoor environmental quality. BPC has been contributing to environmental causes beyond the legal requirements such as IEE, EIA studies.

### Environmental and Social Obligation

In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to develop and implement Environmental Management System (EMS) throughout the company to measure, control and reduce the environmental impact. BPC is fully compliant with various environmental protection and health and safety laws and regulations. In its constant endeavour to be fully compliant with all regulatory standards, BPC has instituted a compliance

management system, which ensures that the Company is in full compliance to all applicable legal requirements. Prior to the implementation of new projects the potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of project.

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

### Integrated reporting

BPC is certified with three ISO standards. Quality, Health, Safety and Environmental Management System (QHSEMS) is established, implemented and maintained in accordance with the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 Standards. Its integrated form has been termed Integrated Management System (IMS). The organisation's reporting system was developed in context of IMS system. It controls quality of reporting system. It also assures for the timely availability of internal and external resources for uninterrupted supply of power to consumers and National Grid to the fullest satisfaction. The continual improvement of IMS is being ensured in the Management Review Meetings, which conducted half yearly, where the reviews specifically focus on the improvement requirements in the Company processes.



Gokyo Lake and mountain

# BPC SUBSIDIARIES

## Kabeli Energy Limited

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

This project utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharged into Tamor River after power generation. The gross head of the project is 116.8 m and the design discharge based on 40-percentile flow in the river is 37.73 m<sup>3</sup>/s. The project will have an installed capacity of 37.6 MW and will generate 205.15 GWh energy annually. The project area is accessible through Mechi Highway. The headwork and powerhouse are accessible by 7.5 km and 14.5 km access road respectively from Mechi Highway. Project Development Agreement, with Government of Nepal (GoN), for the development of the project on Build-own-operate-Transfer (BooT) basis was signed in January 2010 and amended in 2013 and is being executed.

Kabeli Energy Limited has also involved different panel of experts during the study period in the different aspects of the project and incorporated their Review and comments on the detail design of the Report. The Dam Safety Plan has complied with the operational policy requirement of World Bank Loan Agreement between GoN and WB has been signed on November 24, 2014. Loan Agreement between IFC and KEL for US\$ 38.6 million has been signed on July 23, 2014. The subsidiary loan agreement between Government of Nepal (GoN), Hydroelectricity Investment, and Development Company Limited (HIDCL) and between HIDCL and KEL is signed on March 17, 2016 for the disbursement of US\$ 40 million WB/IDA loan.

The negotiation documents for Civil, Hydromechanical and Electromechanical has been issued to prospective bidders. Contract Signed for Civil and Hydro mechanical Works on October 12, 2015 and for Electromechanical works is signed on September 07, 2016. Tata Consulting Engineers Limited has been appointed as Owner's Engineer for the construction supervision works.



### PROJECT FACT SHEET

**Project type:** Peaking Run-of-river (PRoR)

**Project Location:** Head Woks site- Dhuseni area of Amarpur VDC-5 of Panchthar on the left bank and Thechambu VDC-5 of Taplejung. Power House site- Pinase, Amarpur VDC-9 of Panchthar District.

**Installed Capacity:** 37.6 MW

**Annual energy generation:** 205.15 GWh

**Design discharge:** 37.73 m<sup>3</sup>/sec at Q40

**Gross Head:** 118.8 m

**Head Race Tunnel:** 4327 m

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

Headworks - 7.5 km from Mechi highway

Powerhouse – 14.5 km from Mechi highway

Power Purchase Agreement (PPA) has been signed with Nepal Electricity Authority (NEA) on September 24, 2015 following Grid Connection Agreement signed on June 18, 2015. The project has purchased 90% of required private land (7.68 Hectares) and leasing for Cabinet has approved government land (1.316 Hectares Permanent and 21.780 Hectares Temporary) on March 2, 2016. The 1.316 Hectares of land has been compensated to District Forest Office (Panchthar and Taplejung) and leasing process is completed as well.

In the FY 2073-74, KEL plans to complete upgrading work of access road, staff colony, and start for the project construction works. In addition, the plan is underway to address the mitigation measures spelled out in approved EMP/SAP.

## BPC SUBSIDIARIES

### Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) is a subsidiary of Butwal Power Company (BPC). It was established in 2042 B.S. NHE's capabilities include design, manufacturing, installation, testing and commissioning of heavy penstock pipe, hydraulic gate, trashrack, stoplog, micro and mini hydro turbines, housing and casing of medium size turbines, HV substations, galvanised steel telescopic pole and heavy steel bridge. Repairing of all the above equipment, transformers up to 132 kV 30 MVA, 11 kV HV Generators and Motors.

NHE's major project accomplishments are Andhikhola 5.1 MW, Jhimruk 12 MW, Puwakhola 6.2 MW; Khimti 160 MW, Modi 14 MW, Chilime 20 MW, Kaligandaki 'A' 144 MW, Khudi 4.2 MW, Middle Marsyangdi 70 MW, 2.4 MW Lower Mai, 5 MW Siuri, 9.6 MW Siprin Hydropower, 30 MVA 132/33kV Chandranigahpur, 2x45 MVA 132/66 kV

Parwanipur, 63 MVA 132/33 kV Jogikuti Butwal and NEA ADB funded Butwal-Kohalpur 132kV Corridor Substation Projects.

The company posted a turnover of NPR 487 Million during the FY 2072-73 and registered a net profit after tax about NPR 63 Million compared to NPR 12 Million loss in Previous Year. The net worth of NHE as on July 15, 2016 is NPR 290 Million. In FY 2072/73,

The major Projects undertaken are NEA 30 MW Chameliya Project HM & EM Equipment Works, 14.5 MW Sanjen (Upper) and 42.5 MW Sanjen Projects HM Equipment Works, NEA 144 MW Kali Gandaki A Rehabilitation Project (Turbine Repairing), NEA ADB funded 132kV/33, 30 MVA Lamahi- Ghorahi and 132/66 kV Chapali (Phase 2) Substation Projects. NHE has been certified by ISO 9001:2008 in September 2014, valid up to September 2017.







Hedwork site of Nyadi Hydropower

### Nyadi Hydropower Limited

Nyadi Hydropower Limited is registered as a public limited company and was incorporated to develop the Nyadi Hydropower Project located in Lamjung District. The project has been optimized at 30 MW installed capacity. The Corporate Office of the NHL is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

The Project has constructed an 8 km long access road to powerhouse site and towards headworks. A 52 m span Bailey bridge has been installed over Marshyangdi river to access the project site. The Access Road and the Bridge are being used by the local communities and the project. An online discharge measurement system has also been installed at the site. Slope stabilization work, drainage construction and bioengineering works have been carried out along the access road, especially at locations which are more prone to landslides. Construction of canal to tap Siuri tailrace water has been completed to divert the tailrace water into intake of NHP.

Following Grid Connection Agreement, Power Purchase Agreement (PPA) has also been signed with NEA on 26 May, 2015 for Tariff rates NRs. 4.80 for Monsoon and NRs. 8.40 for Dry season energy. Financial Closure has been completed.

### PROJECT FACT SHEET

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

**Project Location:**

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

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

**Installed Capacity:** 30 MW

**Annual Energy Generation:** 168.50 GWh

**Design Discharge:** 11.02 Cumec at Q40

**Gross head:** 333.90 m

**Head Race Tunnel:** 3937 m

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

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

Headworks Site is 5 km further away from Power house.

NHL obtained the Generation License on 14 Feb, 2013. IEE approval has been obtained for 30 MW capacity. Preparation of EIA report for Transmission line is completed and Public hearing has been conducted. Most of the land required for the project has already been purchased. The leasing of Government land, required for the project, is in progress. NHL land at housing area is being fenced with barbed wire and concrete poles. Tender documents for Civil and Hydro-mechanical Works including Electro-mechanical works have been prepared in EPC model.

## BPC SUBSIDIARIES

### Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) provides consultancy services in water resource based infrastructure development. It works with water, land and people while respecting the local socio-ecological systems. It investigates, designs and provides project management and construction supervision to develop hydropower projects in Nepal and abroad. HCE offers its services in hydropower sector and related to hydropower like road, irrigation, etc.

HCE has established professionalism, goodwill and its own trademark in the market. HCE maintains its human resources with competent retention schemes and currently there are 75 staff employed in HCE. HCE is also sponsoring training programs for capacity building and career development as per the requirements of its staff. Moreover, HCE and Multi-consult (NORPLAN AS), Norway have continued the FK Youth Professional Exchange Program since 2012. HCE exchanges two staff every year under this program that has enabled its staff to experience different working culture and technologies in Norway.

HCE has continued to provide international and national engineering consultancy in FY 2072/73, paying particular attention to successful business

results. Internationally, the project management and construction supervision of 5 MW Gura Hydropower Project in Kenya is continuing and feasibility study of 260 MW Jamshill Turen More and 350 MW Turen More - Kari Hydropower Projects (previously Koragh HP) in Pakistan is completed.

HCE provided engineering services for review, feasibility study, detail design and tender document preparation of Lower Manang HP (140 MW), Kabeli A HEP (37.6 MW), Nyadi HP (30 MW) and Adhikhola Upgrading (9.4 MW); and IPC verification of HewaKhola HP (14.9 MW) and Mai Khola HP (22 MW), 22 MW Solu Khola, Upallow and Upper Khimti Khola HPPs in this fiscal year. In addition, the notable consultancy services performed by HCE are: construction supervision of ThapaKhola HP (13.6 MW), technical management and construction supervision of Upper Mai HP (9.98 MW), detail design and tender document preparation of KhaniKhola HP (30 MW), updated feasibility, tender document preparation and detail design of NyamNyam SHP (6 MW), design, tender documents preparation and construction supervision of Khimti I Headworks repair works (60 MW).

At present the following major projects are undergoing; 30 MW Nyadi hydropower project for preconstruction support for tender documents preparation and execution of tendering process and negotiation, construction supervision; review and detail design of 55 MW Likhu, 48.8 MW Khimti-II, and 86 MW Solu-Dudhkoshi Hydropower projects, etc.

In national scenario, the biggest ongoing construction hydropower project 42 MW Mristri Khola hydropower project; HCE has completed detail design and now started project management and construction supervision of the project. At present 8 nos. of full team is at site and gradually team will be bigger size as construction activities will be in full swing.

Besides in private sector involvement; HCE is providing engineering services to Department of Electricity Development (DoED) from prefeasibility study of reservoir project to feasibility study and



Hedwork site of 5.6MW GURA project in Kenya.



HCE involved in 5.6MW GURA project in Kenya for the project management, design, construction supervision & quality control.

detail design of several hydropower projects from eastern Nepal to Western Nepal Jumla, Humla districts for 15 to 30 MW projects. Similarly HCE is providing engineering services to Irrigation Department for 104 MW Kaligandaki-Tinau diversion work review and detail feasibility study works. Abroad projects in Kenya and Pakistan is ongoing.

HCE has improved financial performances in this fiscal year. In the FY 2072/73, the revenue from consultancy business is estimated NPR 105.4 million compared to NPR 91.6.3 million in FY 2071/72. The net profit after tax is reported at NPR 18.7 million (estimated) compared to NPR 13.8million last year. Therefore, the overall financial performance of the company is commendable being successful in earning Earning Per Share NPR 159 per share.

Despite the encouraging trend of financial performance, there are continued risks and challenges for HCE as complex bureaucratic procedure in decision making, and delay and unsure political stability and implementation of new constitution thus election in the country slowed down the development of the hydropower projects and in overall. This situation, apart from limited business opportunities, has contrived the exodus of

the competent human resources to the developed countries, which has also affected HCE to an extent. However, development of hydropower projects by independent power producers and the government is still going on even with this fragile investment scenario. In addition, HCE is also exploring alternative national sectors and international hydro projects to mitigate the potential business risks and challenges.

HCE believes that the analysis stage of a development is the most crucial and its multi-disciplinary team has the expertise to provide viable solutions at the early stage. During design stage, HCE combines creative design with the practicalities of technology and an understanding of its potential application. Experience of design and engineering solutions enables HCE experts to create value for clients by realizing new opportunities, reducing costs and managing risk appropriately. Apart from big hydropower developers, the independent developers are also gradually showing concern over quality and seeking established consulting firms like HCE for project preparation and implementation stage. Moreover, the ongoing efforts of hydropower development in East Africa and SAARC regions; where HCE already has assignments, are also creating market potential for HCE in near future.

## BPC SUBSIDIARIES

### Khudi Hydropower Limited

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

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

The company recorded revenue of NPR 80.9 million this fiscal year in compared to NPR 100.6 million in the FY 2071-72. The principal and interest for the consortium loan have been paid regularly as scheduled. The company was able to record a net profit of NPR 17 million in comparison of NPR 23 million last year.

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

The water of Khudi River contains a huge quantity of sediment during monsoon period. This high silt content during monsoon season is the major cause for severe erosion of turbine parts. This has enforced to shut down the plant during flood as the river water is turbid with high sediment

Penstock pipe of Khudi Hydropower



### PROJECT FACT SHEET:

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

**Project Location:** Head Work site - Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River.

**Power House site-** Lamjung district, Simpani VDC, located on the right bank of Khudi River.

**Installed Capacity:** 4.00 MW

**Annual energy generation:** 24,284 MWh

**Design discharge:** 4.9 m<sup>3</sup>/s

**Gross Head:** 103 m

**Intake and Penstock:** A side intake, just upstream of the diversion weir placed across the river, diverts the flow into the approach canal which conveys the flow from intake to settling basin. From the settling basin, the flow enters into the 2471 m long headrace pressurized pipe.

**Power Evacuation:** The generated power is evacuated through 14 km long 33 kV transmission line and is connected to the Integrated Nepal Power System (INPS) at Udipur Sub-Station of NEA.

**Access to site:** The power house site can be reached within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the District Head Quarter of Lumjung District. Headworks Site is further 2.5 km away from Power house.

content. The erosion of turbine parts also reduces turbine efficiency and increases maintenance duration and cost. As a preventive measure, the power plant has been shut-down mostly during the high floods since the water is very turbid with high sediment content during these times.

Khudi Hydropower Project's biggest contribution goes towards the people of Lamjung where load-shedding has been drastically reduced compared to the rest of the country. The electricity supply from Khudi HP is consumed primarily in the surrounding areas of Khudi, Besisahar, Dumre and Bandipur. The quality of electricity supply in Lamjung and Tanahu district has substantially improved after commissioning of Khudi Hydropower Project.

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



Repair and maintenance work

### BPC Services Limited

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

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

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

BPCSL's incurred a net profit of NPR 0.4 million after tax in the FY 2072-73. The net worth of BPCSL as on July 15, 2016 stands at NPR 13.2 million.

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector, for which the Government of Nepal (GoN) and Independent

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

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

# AWARD & RECOGNITION

## Best-Presented Annual Report Award 2015

The Institute of Chartered Accountants of Nepal awarded BPC by “National Best-Presented Annual Report Award, 2015” in the General sector for excellence in the presentation of its annual report 2015. Chief Executive Officer Mr. Uttar Kumar Shrestha has received this award from honorable Governor Dr. Chiranjibi Nepal on 22nd July 2016 at a function in Hotel Soaltee organized by ICAN. BPC received this award last year also. BPC has been receiving this award 9th time since 2005.



BPC had also received Certificate of Merit on BPA and Corporate Governance Disclosure Award in the manufacturing sector by the South Asian Federation of Accountants (SAFA) in 2009, 2010 and 2014 on the basis of evaluations carried out by SAFA's Committee for Improvement in Transparency, Accountability & Governance of the published annual reports of South Asian entries.

## Butwal Power Company - Best Managed Hydropower Company

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



# FIVE YEAR FINANCIAL SUMMARY

## Five Year Summary of Statement of Financial Position

In Thousand NRs

PARTICULARS	2068/69 2011/2012	2069/70 2012/2013	2070/71 2013/2014	2071/72 2014/2015	2072/73 2015/2016
<b>ASSETS &amp; PROPERTY:</b>					
Fixed Assets	1,543,387	1,507,722	1,432,459	2,733,815	2,653,155
Land	59,755	72,310	69,266	68,621	67,919
Office Building & Quarters	67,154	195,495	195,288	218,200	209,395
Access Road	-	-	-	-	-
Suspension Bridge	-	-	-	-	-
Power Plant & Machinery	233,196	204,435	178,842	1,412,223	1,342,641
Switching & Sub Station	40,001	39,194	37,371	98,650	94,686
Transmission & Distribution Line	352,532	360,519	344,664	366,262	381,512
Capital Stock	32,933	11,345	10,970	9,754	9,212
Office Equipments	33,442	72,175	69,014	57,825	54,853
Furnitures	8,814	22,482	21,648	16,665	18,762
Vehicles	22,953	20,590	16,761	10,279	11,685
Revalued Asset	692,607	509,177	488,635	475,336	462,490
<b>Assets Held for Sale</b>	-	<b>3,170</b>	<b>3,170</b>	<b>3,170</b>	-
<b>Work in Progress</b>	<b>407,388</b>	<b>860,113</b>	<b>1,316,475</b>	<b>179,366</b>	<b>205,803</b>
<b>Investment in Shares</b>	<b>999,287</b>	<b>1,082,501</b>	<b>879,645</b>	<b>1,088,185</b>	<b>1,441,556</b>
<b>Loans and Advances</b>			<b>342,446</b>	<b>254,915</b>	<b>4,469</b>
Advance for Investment in Share					
Current Assets, Loan & Advance	1,023,849	852,890	884,848	670,955	695,997
Stock	42,857	35,956	56,912	68,133	93,248
Debtors & Receivable	283,626	276,275	335,948	305,944	314,509
Cash & Bank Balance	322,797	252,087	202,039	85,767	65,734
Advance & Deposit	374,569	288,572	289,949	211,111	222,506
Deferred Revenue Expenditure	5,704	-	-	-	-
<b>Total</b>	<b>3,979,615</b>	<b>4,306,396</b>	<b>4,859,043</b>	<b>4,930,406</b>	<b>5,000,980</b>
<b>CAPITAL &amp; LIABILITIES:</b>					
<b>Equity</b>	<b>1,015,269</b>	<b>1,015,269</b>	<b>1,673,223</b>	<b>1,673,223</b>	<b>1,673,223</b>
Reserve & Surplus	1,694,909	1,501,022	1,586,275	1,755,325	1,970,982
General Reserve	148,700	148,700	148,700	148,700	148,700
Revaluation Reserve	692,607	509,177	488,635	475,336	462,490
Retained Earnings	853,602	843,145	937,934	1,120,283	1,348,786
Share Premium Account			11,006	11,006	11,006
<b>Grant Aid in Reserve</b>	<b>213,227</b>	<b>207,830</b>	<b>199,573</b>	<b>200,516</b>	<b>196,677</b>
<b>Long Term Loan</b>	<b>531,799</b>	<b>838,453</b>	<b>873,509</b>	<b>765,488</b>	<b>595,126</b>
<b>Deferred Tax Liabilities</b>	<b>13,442</b>	<b>26,163</b>	<b>7,963</b>	<b>23,858</b>	<b>34,807</b>
Current Liabilities	444,198	678,347	493,088	496,915	520,210
Short Term Loan	245,022	397,472	126,306	122,172	231,590
Creditors & Payable	193,808	277,761	364,247	342,248	258,625
Advance & Deposit	5,368	3,114	2,535	32,495	29,995
Provisions	66,771	39,312	25,412	15,081	9,955
Provision for Corporate Tax	43,781	7,901	-	-	-
Corporate Tax for 2060/61	16,774	16,774	16,774	114	-
Corporate Tax for 2067/68				5,618	-
Provision of Loss in Investment	522	-	-	-	-
Provision for Expenses	5,694	14,637	8,638	9,349	9,955
<b>Total</b>	<b>3,979,615</b>	<b>4,306,396</b>	<b>4,859,043</b>	<b>4,930,406</b>	<b>5,000,980</b>

## Five Year Summary of Statement of Income

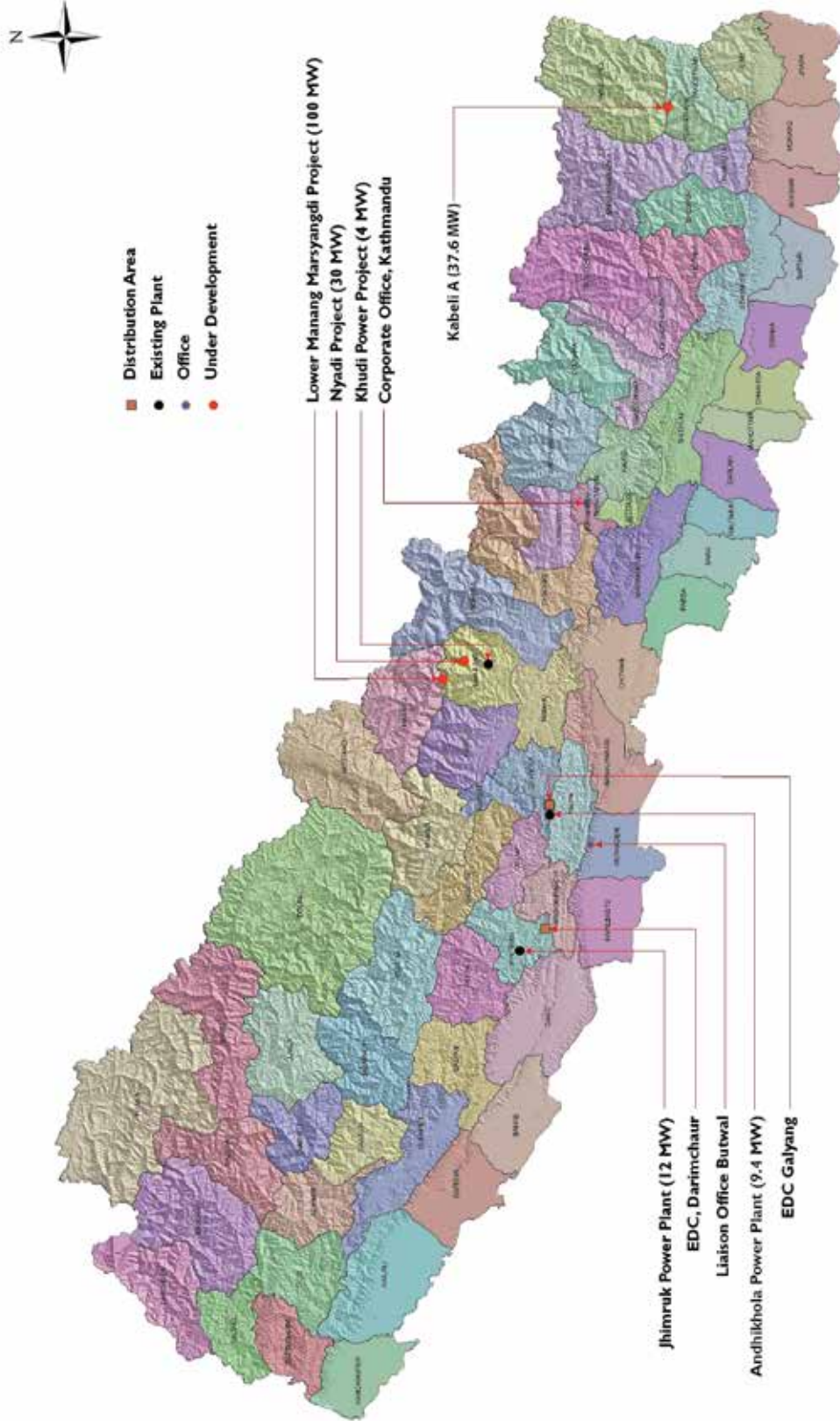
In Thousand NRs

PARTICULARS	2068/69 2011/2012	2069/70 2012/2013	2070/71 2013/2014	2071/72 2014/2015	2072/73 2015/2016
<b>INCOME</b>					
Operating Income					
Electricity Sale to NEA	432,511	409,020	289,299	402,356	472,690
Electricity Sale to Consumers	85,922	94,537	108,509	114,589	134,534
Electricity Services	5,583	8,549	6,299	6,247	9,956
Management and Technical Support	81,133				
<b>Total Operating Income</b>	<b>605,149</b>	<b>512,106</b>	<b>404,107</b>	<b>523,192</b>	<b>617,180</b>
Income from Other Sources					
Interest Income	32,786	28,522	35,134	37,767	21,819
Foreign Currency Exchange Gain (Loss)	8,769	6,586	1,204	243	198
Dividend Income	374,957	241,408	393,615	433,103	531,768
Gain (Loss) on Disposal of Assets & Stock Materials	147	1,254	2,277	(624)	3,013
Depreciation Being Revenue Portion of Grant Aid	10,772	11,188	11,506	11,640	12,143
Other	2,296	7,204	11,814	40,426	15,554
<b>Total Non- Operating Income</b>	<b>429,727</b>	<b>296,162</b>	<b>455,550</b>	<b>522,555</b>	<b>584,495</b>
<b>Total Income</b>	<b>1,034,876</b>	<b>808,268</b>	<b>859,657</b>	<b>1,045,747</b>	<b>1,201,675</b>
<b>EXPENDITURE</b>					
Generation Expenses	163,387	242,826	261,785	248,777	199,070
Distribution Expenses	59,167	68,333	62,807	69,768	86,264
Management and Technical Support Expenses	7,738	-	-	-	-
Project Development Expenses	15,856	-	-	-	-
Administrative Expenses	84,687	115,469	108,299	93,252	95,842
Provision of Loss in Investment	48,292	(7,307)	(4,969)	(17,364)	725
Interest Expense	35,789	48,461	50,413	41,234	79,290
Depreciation	67,834	70,690	90,042	103,592	141,852
Staff Bonus	11,400	5,290	5,711	10,764	11,738
<b>Total Expenditure</b>	<b>494,150</b>	<b>543,762</b>	<b>574,088</b>	<b>550,023</b>	<b>614,781</b>
<b>Net Profit Before Tax</b>	<b>540,726</b>	<b>264,506</b>	<b>285,569</b>	<b>495,724</b>	<b>586,894</b>
Income Tax Provision	43,781	7,901	-	-	-
Deferred Tax Expenses	13,442	12,721	(18,199)	15,895	10,948
<b>Net Profit After Tax</b>	<b>483,503</b>	<b>243,884</b>	<b>303,768</b>	<b>479,829</b>	<b>575,946</b>
Retained Earnings b/f	621,051	853,602	843,145	937,934	1,120,283
Prior Year's Adjustment	2,865	(524)	(26,231)	(46,497)	(12,798)
10% Stock Dividend	-	-	-	-	-
Dividend Paid	(253,817)	(253,817)	(182,748)	(250,983)	(334,645)
<b>Balance Transferred to Financial Position</b>	<b>853,602</b>	<b>843,145</b>	<b>937,934</b>	<b>1,120,283</b>	<b>1,348,786</b>





# OUR PRESENCE





# **Financial** Statements **2016**

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

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**BRS Neupane  
& Co.**

## INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

We have audited the accompanying financial statements of **Butwal Power Company Limited** which comprise the Balance Sheet as at 31st Ashadh 2073 (Corresponding July 15, 2016) and the related, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and Summary of Significant Accounting Policies and Notes to the Annual Accounts for the year then ended.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances,

but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### OPINION

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

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
- iii. The Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Equity and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
- iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
- v. We have not come across any fraudulence in the accounts.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashadh 31, 2073 (Corresponding July 15, 2016), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Companies Act 2063.

Date: 6th November 2016  
Place: Kathmandu

**CA. Gyanendra B. Bhari**  
Partner

## STATEMENT OF FINANCIAL POSITION

As on 31 Ashadh 2073 (15 July 2016)

(in NPR)

Particulars	Schedule	2072/73	2071/72
<b>I SOURCES OF FUND</b>			
<b>1 Shareholder's Fund</b>			
Share Capital	1	1,673,222,700	1,673,222,700
Reserve & Surplus	2	1,970,981,727	1,755,324,540
<b>Total Shareholder's Fund</b>		<b>3,644,204,427</b>	<b>3,428,547,240</b>
2 Grant Aid in Reserve	3	196,678,518	200,515,706
3 Long Term Loan	4	595,125,558	765,488,149
<b>TOTAL</b>		<b>4,436,008,503</b>	<b>4,394,551,095</b>
<b>II APPLICATION OF FUND</b>			
<b>1 Non-Current Assets</b>			
<b>Property, Plant &amp; Equipment</b>	5		
Gross Block		3,759,272,177	3,700,314,227
Less: Depreciation		1,106,117,173	966,498,830
<b>Net Block</b>		<b>2,653,155,004</b>	<b>2,733,815,397</b>
Work in Progress	6	205,802,960	179,365,662
Assets Held for Sale		-	3,170,203
Investment in Share	7	1,441,556,042	1,088,184,870
Loans and Advances	8	4,468,909	254,914,757
<b>Total Non- Current Assets</b>		<b>4,304,982,915</b>	<b>4,259,450,889</b>
<b>2 Current Assets:</b>			
Stocks	9	93,248,439	68,133,145
Debtors & Accounts Receivable	10	314,509,269	305,943,468
Cash & Cash Equivalents	11	65,733,822	85,767,329
Advance & Deposit Paid	12	222,506,084	211,110,861
<b>Total Current Assets</b>		<b>695,997,614</b>	<b>670,954,803</b>
<b>3 Less: Current Liabilities</b>			
Short Term Loan		231,590,567	122,172,416
Creditors & Accounts Payable	13	258,625,050	342,247,954
Advance & Deposit Received	14	29,994,838	32,495,124
Provisions	15	9,954,934	15,080,564
<b>Total Current Liabilities</b>		<b>530,165,389</b>	<b>511,996,058</b>
<b>Net Current Assets</b>		<b>165,832,225</b>	<b>158,958,745</b>
<b>4 Deferred Tax Liabilities</b>		<b>34,806,637</b>	<b>23,858,539</b>
<b>TOTAL</b>		<b>4,436,008,503</b>	<b>4,394,551,095</b>

Schedule 1 to 15 form an integral part of this financial statement.

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

**Rajib Rajbhandari**  
Director

**Bijaya Krishna Shrestha**  
Director

**Om Prakash Shrestha**  
Director

**Chandi Prasad Shrestha**  
Director

**Divakar Vaidya**  
Director

**Shyam Kishor Yadhav**  
Director

As per our report of even date

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

Date: 2073/07/21 (6 November, 2016)

Place: Kathmandu, Nepal

## STATEMENT OF INCOME

For the year ended 31 Ashadh 2073 (15 July 2016)

(in NPR)

Particulars	Schedule	2072/73	2071/72
<b>OPERATING INCOME</b>			
Electricity Sale to NEA		472,689,625	402,356,281
Electricity Sale to Consumers	16	134,534,271	114,588,769
Electricity Services	17	9,955,909	6,246,602
<b>Total Operating Income</b>		<b>617,179,805</b>	<b>523,191,652</b>
<b>OPERATING EXPENSES</b>			
Generation Expenses	18	199,069,754	248,777,267
Distribution Expenses	19	86,263,864	69,767,971
<b>Total Operating Expenses</b>		<b>285,333,618</b>	<b>318,545,238</b>
<b>GROSS OPERATING PROFIT</b>		<b>331,846,187</b>	<b>204,646,414</b>
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>			
Administrative Expenses	20	95,842,530	93,252,282
Depreciation	5	141,852,214	103,591,569
Provision for Loss/(Income) in Investment	21	724,828	(17,363,564)
Interest on Loan		79,289,668	41,233,960
<b>Total Administrative and Other Expenses</b>		<b>317,709,240</b>	<b>220,714,247</b>
<b>INCOME FROM OTHER SOURCES</b>			
Interest Income		21,819,521	37,767,874
Other Income	22	15,553,992	40,426,185
Depreciation Being Revenue Portion of Grant Aid		12,142,860	11,639,551
Dividend Income		531,767,880	433,102,623
Foreign Currency Exchange Gain/(Loss)		197,648	243,662
Gain/(Loss) on Disposal of Assets & Stock Materials	23	3,012,956	(624,225)
<b>Total Income From Other Sources</b>		<b>584,494,857</b>	<b>522,555,670</b>
<b>PROFIT (LOSS) BEFORE BONUS &amp; TAX</b>		<b>598,631,804</b>	<b>506,487,837</b>
Staff Bonus		11,737,879	10,764,191
Provision for Income Tax		-	-
Deferred Tax Expenses/(Income)		10,948,098	15,895,159
<b>NET PROFIT (LOSS) BEFORE APPROPRIATION</b>		<b>575,945,827</b>	<b>479,828,487</b>
Last Years Balance		1,120,282,541	937,934,269
Profit for this Fiscal Year		575,945,827	479,828,487
<b>Total</b>		<b>1,696,228,368</b>	<b>1,417,762,756</b>
Less: Dividend Paid		(334,644,540)	(250,983,405)
<b>Total Dividend</b>		<b>(334,644,540)</b>	<b>(250,983,405)</b>
Prior Years Adjustment		(12,798,100)	(46,496,810)
<b>Balance Transferred to Financial Position</b>		<b>1,348,785,728</b>	<b>1,120,282,541</b>
<b>Earnings per share- Basic</b>		<b>34.42</b>	<b>28.68</b>
<b>Earnings per share- Diluted</b>		<b>34.42</b>	<b>28.68</b>
Significant Accounting Policies & Notes to Accounts	24		
Schedule 16 to 23 form an integral part of this financial statement.		-	-

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

**Rajib Rajbhandari**  
Director

**Bijaya Krishna Shrestha**  
Director

**Om Prakash Shrestha**  
Director

**Chandi Prasad Shrestha**  
Director

**Divakar Vaidya**  
Director

**Shyam Kishor Yadhav**  
Director

As per our report of even date

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

Date: 2073/07/21 (6 November, 2016)

Place: Kathmandu, Nepal

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashadh 2073 (15 July 2016)

Particulars	(in NPR)					
	Share Capital	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	2072/73
Balance as on 31st Ashadh, 2072	1,673,222,700	11,006,400	475,335,599	148,700,000	1,120,282,541	3,428,547,240
Adjustment for the Year	-	-	(12,846,000)			(12,846,000)
Dividend of FY 2071/72 paid					(334,644,540)	(334,644,540)
Profit for the Year					575,945,827	575,945,827
Prior Year's Adjustment					(12,798,100)	(12,798,100)
<b>Balance as on 31st Ashadh, 2073</b>	<b>1,673,222,700</b>	<b>11,006,400</b>	<b>462,489,599</b>	<b>148,700,000</b>	<b>1,348,785,728</b>	<b>3,644,204,427</b>

For the year ended 31 Ashadh 2072 (16 July 2015)

Particulars	(in NPR)					
	Share Capital	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	2071/72
Balance as on 32nd Ashadh, 2071	1,673,222,700	11,006,400	488,634,665	148,700,000	937,934,269	3,259,498,034
Adjustment for the Year	-	-	(13,299,066)			(13,299,066)
Dividend of FY 2070/71 paid					(250,983,405)	(250,983,405)
Profit for the Year					479,828,487	479,828,487
Prior Year's Adjustment					(46,496,810)	(46,496,810)
<b>Balance as on 31st Ashadh, 2072</b>	<b>1,673,222,700</b>	<b>11,006,400</b>	<b>475,335,599</b>	<b>148,700,000</b>	<b>1,120,282,541</b>	<b>3,428,547,240</b>

## STATEMENT OF CASH FLOW

For the year ended 31 Ashadh 2073 (15 July 2016)

(in NPR)

Particulars	2072/73	2071/72
<b>Cash Flows from Operating Activities:</b>		
<b>Profit (Loss) before Bonus and Tax</b>	<b>598,631,804</b>	<b>506,487,837</b>
<b>Adjustment for:</b>		
Ordinary Depreciation	129,709,354	91,952,018
Depreciation Charged to Grant Aid in Reserve	12,142,860	11,639,551
Foreign Currency Exchange (Gain)/Loss	(197,648)	(243,662)
Interest Expenses	79,289,668	41,233,960
Interest Received	(21,819,521)	(37,767,874)
Dividend Received	(531,767,880)	(433,102,623)
Provision for Expenses	605,964	711,555
(Gain)/Loss on disposal of Stock	(3,012,956)	624,225
Written off of Assets	414,753	10,189,841
<b>Operating Profit before Working Capital Changes</b>	<b>263,996,398</b>	<b>191,724,828</b>
Decrease/(Increase) in Debtors & Accounts Receivable	(8,565,801)	30,004,187
Decrease/(Increase) in Stocks	(22,102,338)	(11,845,383)
Decrease/(Increase) in Advance & Deposit Paid	(7,944,038)	128,522,879
Increase/(Decrease) in Creditors & Accounts Payable	(103,599,451)	(42,903,370)
Increase/(Decrease) in Advance & Deposit Received	(2,500,286)	29,960,051
<b>Cash Generated from Operations</b>	<b>119,284,484</b>	<b>325,463,192</b>
Interest Paid	(79,289,668)	(41,233,960)
Foreign Currency Exchange Gain/(Loss)	197,648	243,662
Bonus Paid	(10,764,191)	(5,711,372)
Tax Paid	(3,451,185)	(49,683,943)
Prior year Adjustment	(12,798,100)	(46,496,810)
<b>Net Cash Flows from Operating Activities (A)</b>	<b>13,178,988</b>	<b>182,580,769</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(74,452,573)	(1,428,436,249)
Assets Held for Sale	3,170,203	-
Investment in Share	(353,371,172)	(208,540,071)
Loans and Advances	250,445,848	87,531,007
Decrease/(Increase) in Work-in-Progress	(26,437,298)	1,137,108,951
Interest Received	21,819,521	37,767,874
Dividend Received	531,767,880	433,102,623
<b>Net Cash Flows from Investing Activities (B)</b>	<b>352,942,409</b>	<b>58,534,135</b>
<b>Cash Flows from Financing Activities:</b>		
Increase/(Decrease) in Share Capital	-	-
Increase/(Decrease) in Share Premium	-	-
Increase/(Decrease) in Grant Aid in Reserve	(3,837,188)	943,182
Increase/(Decrease) in Long Term Loan	(170,362,591)	(108,021,446)
Increase/(Decrease) in Short Term Loan	109,418,151	(4,133,761)
Dividend Paid	(321,373,275)	(246,174,157)
<b>Net Cash Flows from Financing Activities (C)</b>	<b>(386,154,903)</b>	<b>(357,386,182)</b>
<b>Net Changes in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(20,033,506)</b>	<b>(116,271,278)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>85,767,329</b>	<b>202,038,606</b>
<b>Closing Cash and Cash Equivalents</b>	<b>65,733,822</b>	<b>85,767,329</b>



## Schedules to the Statement of Financial Position & Income

Fiscal Year 2072/73 (2015/2016)

### Share Capital

Schedule No. 1  
(in NPR)

Particulars	2072/73	2071/72
<b>Authorised Capital:</b>		
80,000,000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
<b>Issued Capital</b>		
17,000,000 Shares of Rs.100/- each	1,700,000,000	1,700,000,000
<b>Paid up Capital:</b>		
16,732,227 Shares at face value of Rs. 100/- each		
Government of Nepal	153,822,300	153,822,300
Shangri-La Energy Ltd.	1,166,735,000	1,166,735,000
IKN Nepal A.S., Norway	32,748,700	102,339,700
United Mission to Nepal	28,339,500	28,339,500
Nepal Electricity Authority	17,871,500	17,871,500
NIDC Development Bank Limited	1,016,800	1,016,800
General Public/Employees	203,067,300	203,067,300
Ganesh Lal Shrestha	11,598,500	-
Padma Jyoti	11,598,500	-
Pradeep Kumar Shrestha	11,598,500	-
Bijay Krishna Shrestha	11,598,500	-
Rajib Rajbhandari	5,799,300	-
Sanjib Rajbhandari	5,799,200	-
Bijaya Bahadur Shrestha	11,598,500	-
Purna Prasad Adhikari	10,200	10,200
Balaram Pradhan	10,200	10,200
Suman Basnet	10,200	10,200
<b>Total</b>	<b>1,673,222,700</b>	<b>1,673,222,700</b>

### Reserve and Surplus

Schedule No. 2  
(in NPR)

Particulars	2072/73	2071/72
General Reserve	148,700,000	148,700,000
Revaluation Reserve	462,489,599	475,335,599
Share Premium Account	11,006,400	11,006,400
Retained Earnings	1,348,785,728	1,120,282,541
<b>Total</b>	<b>1,970,981,727</b>	<b>1,755,324,540</b>

Schedule No. 3  
(in NPR)

### Grant Aid in Reserve

Particulars	2072/73	2071/72
NORAD Grant for JHEREP II A - R.E.	8,843,201	10,106,515
UMN PCS Assistance for Rural Electrification	18,708,541	20,303,060
USAID Grant for Rural Electrification	10,088,484	11,477,357
USAID Support for REGDAN	11,719,293	12,458,876
JRP Grant for Enhancement of Power Plant	5,835,411	6,188,772
NMFA Support for REEP	79,143,502	83,309,419
KADOORI VDC	1,531,740	1,612,984
Udaypurkot VDC	649,984	685,253
Dhungegadhi VDC	1,395,350	1,471,862
Hansapur VDC	2,571,611	2,702,717
Dhakabang VDC	6,430,118	5,931,886
Bhingree VDC	1,214,821	1,273,742
Markabang VDC	1,470,442	262,838
Dharampani VDC	448,351	473,725
Aladi VDC	3,382,100	3,558,474
Kalikakot VDC	4,233,076	4,439,248
Banethok Deurali VDC	2,092,380	2,191,905
Sorek VDC	337,247	355,930
Tindobate VDC	429,759	450,705
Sekham VDC	366,402	386,853
Darchha VDC	1,450,188	1,523,969
Rampur VDC	898,227	941,734
Heklang VDC	2,633,515	2,754,418
Kuwakot VDC	64,261	67,704
Gejha VDC	341,806	357,060
Walling (Pension Camp)	33,008	34,776
Sirsekot VDC	60,896	64,158
Dhapuk VDC	297,687	260,009
Nepal Telecom (Banethok)	84,677	89,213
Sakhar VDC	430,384	421,204
Gandakot VDC	2,590,239	2,701,060
Narange DWP, Pakala	768,559	809,724
Sari VDC	515,332	541,344
NEPAL TELECOM, Pyuthan	309,724	325,449
Bangesal VDC	6,411,842	3,662,704
DDC- Arghakhanchi	2,240,400	2,360,400
Pelakot	1,190,480	1,211,959
Kalikakot (NCELL)	273,720	286,725
Spice Nepal Pvt. Ltd. (Pyuthan/Arghakhanchi)	1,074,853	1,105,255
Tiram VDC	1,950,867	1,888,853
Hungi (Ncell)	89,718	94,059
Pakawadi	872,752	894,136
Gejha (Ncell)	55,367	58,046
Thumpokara (Ncell)	140,719	147,528
Walling (Ncell)	202,583	212,386
Khaliban	4,484	4,701
Barjibang VDC	304,994	319,457
Walling Municipality	510,256	270,210
Jagat Bhanjyang	36,662	38,328
Ratnapur	4,979	5,205
Dharapani VDC	1,283,957	1,341,407
Dangbang VDC	1,935,325	2,020,211
Pelakot (N-Cell)	89,097	92,971
Khilung Deurali	548,436	571,287
Arjun Chaupari	57,120	59,500
Khaira VDC	2,708,157	1,503,411
Chuja VDC	49,200	51,250
Belbas VDC	772,289	228,646
Ramdi VDC	2,057,184	1,553,127
Lift Drinking Water Project, Raspurkot	116,282	-
Nayagaun Lift Irrigation Sub Project	326,478	-
<b>Total</b>	<b>196,678,518</b>	<b>200,515,706</b>

Schedule No. 4  
(in NPR)

### Long Term Loan

Particulars	2072/73	2071/72
NIC Asia Bank Limited	173,409,920	186,008,238
Mega Bank Nepal Limited	165,179,651	255,179,651
International Finance Corporation (IFC)	372,703,498	440,467,771
<b>Sub Total</b>	<b>711,293,069</b>	<b>881,655,660</b>
Less:	-	-
Principal Payable Within One Year	(116,167,511)	(116,167,511)
<b>Sub Total</b>	<b>(116,167,511)</b>	<b>(116,167,511)</b>
<b>Total</b>	<b>595,125,558</b>	<b>765,488,149</b>

## Property, Plant and Equipment

Schedule No. 5

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 31st Ashadh, 2072	Addition during the Year	Adjustment during the Year	As at 31st Ashadh, 2072	Adjustment during the Year	Provided during this Year	As at 31st Ashadh, 2073 NPR	As at 31st Ashadh, 2072 NPR
<b>Group A : Property and Power Plant:</b>								
<b>i : BPC Funded Asset</b>								
Land	71,503,736			71,503,736	4,301,532	652,589	66,549,615	67,202,204
Guesthouse,Stores,Offices,Quarters	258,840,192	2,514,769	(182,325)	261,172,637	40,640,209	11,210,601	209,394,987	218,199,983
Power Plant Electro-Mechanical Equipment	838,167,039	7,035,797		845,202,836	235,694,239	33,808,110	575,700,487	602,472,800
Power Plant Civil Works	1,067,158,748	518,288	(295,127)	1,067,381,909	264,002,495	42,704,229	760,970,312	803,156,253
Switching & Sub Station	75,723,669	429,804		76,153,473	3,197,135	3,046,138	69,910,200	72,526,534
Transmission & Distribution Line	410,344,248	33,499,641	(111,870)	443,843,889	210,462,466	18,127	226,894,362	199,881,781
Capital Stock	11,228,796			11,116,926	1,474,239	(22,373)	1,904,594	9,754,557
<b>Sub - Total i</b>	<b>2,732,966,428</b>	<b>43,998,299</b>	<b>(589,322)</b>	<b>2,776,375,405</b>	<b>759,772,315</b>	<b>(372,533)</b>	<b>867,687,946</b>	<b>1,908,687,459</b>
<b>ii : Grant Aided Asset</b>								
Transmission & Distribution Line	253,070,927	8,305,672		261,376,599	86,690,947	10,122,836	164,562,816	166,379,980
Power Plant Electro-Mechanical Equipment	15,574,320			15,574,320	8,980,762	622,973	9,603,735	6,593,558
Switching & Sub Station	33,703,548			33,703,548	7,579,754	1,348,142	8,927,896	24,775,652
Land	1,614,010			1,614,010	195,636	48,909	244,545	1,418,374
<b>Sub - Total ii</b>	<b>303,962,804</b>	<b>8,305,672</b>	<b>-</b>	<b>312,268,477</b>	<b>103,447,099</b>	<b>-</b>	<b>196,678,518</b>	<b>200,515,706</b>
<b>Total A (i+ii)</b>	<b>3,036,929,232</b>	<b>52,303,972</b>	<b>(589,322)</b>	<b>3,088,643,882</b>	<b>863,219,414</b>	<b>(372,533)</b>	<b>983,277,905</b>	<b>2,173,709,818</b>
<b>Group B: Office Equipment &amp; Furniture</b>								
<b>i : BPC Funded Asset</b>								
Computer & Accessories	21,301,525	2,181,047	(859,710)	22,622,862	11,785,127	(796,536)	13,667,442	9,516,399
Furniture & Fixture	32,199,329	6,389,014	(262,502)	38,325,841	15,534,407	(245,156)	19,563,912	16,664,922
Office Equipment	83,078,252	8,530,694	(804,918)	90,804,028	40,793,092	(703,830)	51,028,326	42,285,159
<b>Sub - Total i</b>	<b>136,579,106</b>	<b>17,100,755</b>	<b>(1,927,130)</b>	<b>151,752,732</b>	<b>68,112,627</b>	<b>(1,745,522)</b>	<b>84,259,679</b>	<b>67,493,052</b>
<b>ii : Grant Aided Asset</b>								
Office Equipment	-	-	-	-	-	-	-	-
<b>Sub - Total ii</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total B (i+ii)</b>	<b>136,579,106</b>	<b>17,100,755</b>	<b>(1,927,130)</b>	<b>151,752,732</b>	<b>68,112,627</b>	<b>(1,745,522)</b>	<b>84,259,679</b>	<b>67,493,052</b>
<b>Group C: Vehicle</b>								
Vehicles	34,341,652	3,735,011	-	38,076,663	24,062,096	-	26,391,892	11,684,771
<b>Group D: Workshop Plant and Equipment</b>								
Workshop Plant & Equipment	12,672,394	100,126	(127,174)	12,645,345	9,498,356	(112,651)	9,903,557	3,174,037
Construction Equipment	-	-	-	-	-	-	-	-
Other Office Equipment & Tools	553,201			553,201	373,141		373,141	180,060
<b>Total D</b>	<b>13,225,595</b>	<b>100,126</b>	<b>(127,174)</b>	<b>13,198,546</b>	<b>9,871,497</b>	<b>(112,651)</b>	<b>10,276,697</b>	<b>3,354,098</b>
<b>Group E: Intangible Assets</b>								
Computer Software	3,903,042	1,212,710	(5,000)	5,110,752	1,233,196	(3,167)	1,910,999	3,199,753
<b>Grand Total (A+B+C+D+E)</b>	<b>3,224,978,628</b>	<b>74,452,573</b>	<b>(2,648,626)</b>	<b>3,296,782,577</b>	<b>966,498,830</b>	<b>(2,233,873)</b>	<b>1,106,117,173</b>	<b>2,258,479,798</b>
<b>Total Asset BPC Funded</b>	<b>2,921,015,823</b>	<b>66,146,901</b>	<b>(2,648,626)</b>	<b>2,984,514,098</b>	<b>863,051,731</b>	<b>(2,233,873)</b>	<b>990,527,214</b>	<b>2,057,964,091</b>
<b>Total Asset Grant Aided</b>	<b>303,962,804</b>	<b>8,305,672</b>	<b>-</b>	<b>312,268,477</b>	<b>103,447,099</b>	<b>-</b>	<b>115,589,959</b>	<b>200,515,706</b>
<b>Revalued Asset:</b>								
Land	212,857,880		(2,256,000)	210,601,880			210,601,880	212,857,880
Building	36,392,604		(1,494,000)	34,898,604			34,898,604	36,392,604
Power Plant & Machinery	226,085,115		(9,096,000)	216,989,115			216,989,115	226,085,115
<b>Revalued Total Asset</b>	<b>475,335,599</b>	<b>-</b>	<b>(12,846,000)</b>	<b>462,489,599</b>	<b>-</b>	<b>-</b>	<b>462,489,599</b>	<b>475,335,599</b>
<b>Grant Total with revalued asset</b>	<b>3,700,314,227</b>	<b>74,452,573</b>	<b>(15,494,626)</b>	<b>3,759,272,177</b>	<b>966,498,830</b>	<b>(2,233,873)</b>	<b>1,106,117,173</b>	<b>2,653,155,004</b>
								<b>2,733,815,397</b>

## Work in Progress

Schedule No. 6  
(in NPR)

Particulars	2072/73	2071/72
<b>A: Capital Work in Progress:</b>		
BPC New Office Building	41,864,477	23,430,991
Infrastructure Facility	-	146,335
<b>Sub Total</b>	<b>41,864,477</b>	<b>23,577,326</b>
<b>B: Project Work in Progress:</b>		
Lower Manang Marshyangdi HEP	155,294,654	152,728,582
Chino Khola SHP	8,643,830	3,059,754
<b>Sub Total</b>	<b>163,938,484</b>	<b>155,788,336</b>
<b>Total</b>	<b>205,802,960</b>	<b>179,365,662</b>

## Investment in Shares

Schedule No. 7  
(in NPR)

Particulars	2072/73	2071/72
<b>A: Shares are at Cost Price</b>		
Himal Power Limited	434,931,461	434,931,461
Nepal Hydro & Electric Limited	71,580,000	71,580,000
Hydro Lab (P) Limited	1,000,000	1,000,000
Khudi Hydropower Limited	50,400,000	50,400,000
Khudi Hydropower Limited (Preference Share)	57,600,000	57,600,000
BPC Services Limited	10,000,000	10,000,000
Nyadi Hydropower Limited	466,656,000	353,980,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	161,850,000	26,000,000
Hydro-Consult Engineering Limited	9,422,800	9,422,800
Gurans Energy Limited	188,850,000	83,280,000
<b>Gross Investment</b>	<b>1,452,929,761</b>	<b>1,098,833,761</b>
<b>Less: Provision</b>		
Khudi Hydropower Limited	(2,330,736)	(5,342,873)
Gurans Energy Limited	(9,042,983)	(5,306,018)
<b>Total Provision</b>	<b>(11,373,719)</b>	<b>(10,648,891)</b>
<b>Net of Provision</b>	<b>1,441,556,042</b>	<b>1,088,184,870</b>

## Loans & Advances

Schedule No. 8  
(in NPR)

Particulars	2072/73	2071/72
<b>B: Advance/Investment toward Share</b>		
Nyadi Hydropower Limited	-	9,035,500
Kabeli Energy Limited	4,468,909	245,879,257
<b>Total</b>	<b>4,468,909</b>	<b>254,914,757</b>

## Stocks

Schedule No. 9  
(in NPR)

Particulars	2072/73	2071/72
General Stock/Office Supplies/Consumer Service Item	8,995,535	5,933,118
Stock of Electric Goods	3,979,307	3,422,781
Power House Equipment	53,405,117	37,487,881
T/L & D/L Stock	7,989,451	10,332,232
Steel Stock	100,691	146,655
GI Fittings	77,173	76,603
Vehicle Spareparts	49,877	11,118
Other Stock	18,651,288	10,722,757
<b>Total</b>	<b>93,248,439</b>	<b>68,133,145</b>

**Debtors & Accounts Receivable**Schedule No. 10  
(in NPR)

Particulars	2072/73	2071/72
Sundry Debtors	8,623,451	870,619
Nepal Electricity Authority	76,556,274	81,296,622
Local Consumers	10,912,132	9,493,316
Other Receivables	517,812	372,914
Accrued Interest	85,564,497	82,782,402
VAT Receivable	-	45,373
<b>Subsidiaries and Joint Ventures:</b>		
Khudi Hydropower Limited	58,941	22,296
BPC Services Limited	3,218	1,556
Nyadi Hydropower Limited	173,321	700,462
Hydro-Consult Engineering Limited	472,487	-
Kabeli Energy Limited	131,627,135	130,357,908
<b>Total</b>	<b>314,509,269</b>	<b>305,943,468</b>

**Cash & Cash Equivalents**Schedule No. 11  
(in NPR)

Particulars	2072/73	2071/72
Cash in Hand	460,633	238,510
Current Bank A/c	46,461,543	10,898,172
US Dollar A/c	1,624,275	987,813
Call/Time/Fixed Deposit	14,896,006	65,641,485
Cheques in Hand	373,960	385,521
US Dollar Deposit	1,917,405	7,615,828
<b>Total</b>	<b>65,733,822</b>	<b>85,767,329</b>

**Advance & Deposit Paid**Schedule No. 12  
(in NPR)

Particulars	2072/73	2071/72
Advance Income Tax	71,705,151	68,253,966
Loan & Advance to Staff	470,025	413,003
Gratuity Fund in CIT	129,790,681	117,237,653
Deposits (Others)	729,198	740,750
Various Advances	13,020,924	14,164,193
Prepaid Expenses	281,509	311,646
L/C Related Advances	2,486,596	5,989,650
Bank Guarantee Margin	22,000	-
Government Deposits	4,000,000	4,000,000
<b>Total</b>	<b>222,506,084</b>	<b>211,110,861</b>

**Creditors & Accounts Payable**Schedule No. 13  
(in NPR)

Particulars	2072/73	2071/72
Sundry Creditors	22,735,384	67,755,618
Gratuity Fund Payable	140,352,381	128,910,381
Bonus Payable	11,737,879	10,764,191
Retention Payable	13,570,551	55,050,734
Audit Fee Payable	367,250	273,460
Royalty Payable	5,176,902	23,783,386
TDS Payable	3,041,665	2,485,402
Dividend Payable	38,885,704	25,614,439
VAT Payable	297,645	-
Employees Accounts Payable	10,010,187	8,982,187
Contribution to PM's Relief Fund	-	418,449
Welfare Fund Clearing A/C	1,443,140	376,970
<b>Subsidiaries and Joint Venture:</b>		
Nepal Hydro & Electric Limited	11,006,361	17,322,697
Hydro-Consult Engineering Limited	-	510,040
<b>Total</b>	<b>258,625,050</b>	<b>342,247,954</b>

### Advance & Deposit Received

Schedule No. 14  
(in NPR)

Particulars	2072/73	2071/72
Customer Deposit	2,000	3,050
Security Deposit	3,938,350	784,142
Advance Received from DDC and VDC	3,156,741	7,950,173
Miscellaneous Deposits	-	42,236
Advance Received from NTC	22,897,747	23,715,523
<b>Total</b>	<b>29,994,838</b>	<b>32,495,124</b>

### Provisions

Schedule No. 15  
(in NPR)

Particulars	2072/73	2071/72
Corporate Tax for the Year	-	-
Corporate Tax for 2060/61	-	113,506
Corporate Tax for 2067/68	-	5,618,088
Provision for Expenses	9,954,934	9,348,970
<b>Total</b>	<b>9,954,934</b>	<b>15,080,564</b>

### Electricity Sale to Consumers

Schedule No. 16  
(in NPR)

Particulars	2072/73	2071/72
Metered Consumers	112,645,578	96,184,866
Unmetered Consumers	142,713	188,392
Industrial Consumers etc.	20,685,821	17,018,779
User's Organization	1,060,159	1,196,732
<b>Total</b>	<b>134,534,271</b>	<b>114,588,769</b>

### Electricity Services - Income

Schedule No. 17  
(in NPR)

Particulars	2072/73	2071/72
Fee and Charges	1,626,402	1,782,334
Sale of Meter/Cutout & Accessories	8,329,507	4,464,268
<b>Total</b>	<b>9,955,909</b>	<b>6,246,602</b>

### Generation Expenses

Schedule No. 18  
(in NPR)

Particulars	2072/73	2071/72
Electricity Purchase	32,068,017	105,122,961
Staff Cost	44,814,247	41,401,915
Office Overhead	11,838,277	11,278,299
Vehicle Operation & Maintenance	1,333,634	1,935,731
Environment, Community & Mitigation	5,324,511	5,955,931
Mitigation (River Training)	4,257,738	5,000,000
Power Plant Operation & Maintenance	15,243,364	19,125,819
Short Supply Charge (NEA)	12,357,058	-
Insurance	9,046,437	6,642,555
Royalty	56,923,113	51,789,160
Transmission Line Repair & Maintenance	465,639	411,280
Expenses Written Off	5,397,719	113,616
<b>Total</b>	<b>199,069,754</b>	<b>248,777,267</b>

**Distribution Expenses**Schedule No. 19  
(in NPR)

Particulars	2072/73	2071/72
Staff Cost	38,435,679	36,619,256
Office Overhead	5,933,693	4,612,337
Vehicle Operation & Maintenance	1,049,088	1,551,747
T/L Maintenance	930,389	630,641
D/L Network Operation & Maintenance	19,537,260	15,308,927
Subsidy on sales of meter	675	92,865
Cost of Sale	5,894,978	4,748,044
Insurance	401,663	386,128
Royalty	13,453,427	5,648,915
Expenses Written Off	627,012	169,111
<b>Total</b>	<b>86,263,864</b>	<b>69,767,971</b>

**Administrative Expenses**Schedule No. 20  
(in NPR)

Particulars	2072/73	2071/72
<b>A: CEO's Remuneration and Expenses</b>	<b>4,289,728</b>	<b>3,410,351</b>
<b>B: Staff Cost:</b>		
Salary	20,835,194	20,752,380
Allowance	16,127,275	15,864,792
Provident Fund	1,981,562	2,193,407
Paid Leave	2,205,675	3,867,980
Daily Wage	139,164	131,271
Overtime	893,302	709,291
Gratuity	4,763,960	5,329,920
Insurance	444,067	578,762
Festival Allowance	1,780,681	1,752,720
Performance Allowance	3,607,700	3,645,829
Compensation on Death	-	238,488
<b>Sub-total</b>	<b>52,778,580</b>	<b>55,064,840</b>
<b>C: Office Overhead:</b>		
General Office Overhead	22,216,469	16,095,807
Training and Development	4,356,110	3,919,790
CSR Expenses	206,392	50,590
External Audit Fee and Expenses	589,094	464,418
Internal Audit Fee and Expenses	619,989	565,701
ISO and Other Audit Fee and Expenses	409,034	-
Board Meeting Expenses	1,296,457	1,571,309
AGM Expenses	372,298	422,993
Vehicle O & M Expenses	52,774	-
Consultancy Expenses	1,470,382	3,001,441
Out Sourcing Service	1,156,019	1,166,160
Legal Expenses	143,300	408,540
Share Registrar/Related Expenses	523,981	813,695
Insurance and Property Taxes	2,304,267	2,206,407
Communication Expenses	2,371,426	2,314,584
Travel/Daily Allowance	3,509,341	4,203,034
Employees Welfare	38,756	859,711
Write Off Expenses	243,696	175,119
Bad Debt Expenses	777	278,000
Overhead Charged to Projects	(3,106,341)	(3,740,208)
<b>Sub-total</b>	<b>38,774,221</b>	<b>34,777,091</b>
<b>Total Administrative Expenses</b>	<b>95,842,530</b>	<b>93,252,282</b>

## FINANCIAL STATEMENTS 2016

### Provision of Loss/(Income) in Investment

Schedule No. 21  
(in NPR)

Particulars	2072/73	2071/72
Khudi Hydropower Limited	(3,012,137)	(17,560,135)
BPC Services Limited	-	(769,298)
Guras Energy Limited	3,736,965	965,868
<b>Total</b>	<b>724,828</b>	<b>(17,363,564)</b>

### Other Income

Schedule No. 22  
(in NPR)

Particulars	2072/73	2071/72
Housing Services	84,483	75,891
Guest House Income	90,850	108,230
Income from Other Sources	8,168,595	37,393,924
House Rent	7,210,064	2,848,140
<b>Total</b>	<b>15,553,992</b>	<b>40,426,185</b>

### Gain/(Loss) on Disposal of Assets & Stock Materials

Schedule No. 23  
(in NPR)

Particulars	2072/73	2071/72
Sale Proceed of Stock Materials	8,305,672	8,140,213
Less: Cost of Stock Materials	(8,305,672)	(8,140,213)
Gain/(Loss) on Sale of Assets/Scrap Materials	3,012,956	(624,225)
<b>Total</b>	<b>3,012,956</b>	<b>(624,225)</b>



## Significant Accounting Policies and Notes Relating to the Annual Account

For the Fiscal Year 2072/73 (2015/16)

### 1. Background

Butwal Power Company Limited was established and registered in 2022 (1966) as a private limited company under the Company Act 2021 (1965) by the United Mission to Nepal, Government of Nepal (GoN), Nepal Electricity Authority (NEA), and NIDC Development Bank Limited 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 2073 (15th July 2016).

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 November 6, 2016 (Kartik 21, 2073). The Board of Directors acknowledges the responsibility of preparation of financial statements.

### 2. Basis of Presentation

BPC's financial statements are prepared in accordance with Nepal Accounting Standard and the prevailing Company Act 2063 (2006) and the Electricity Act 2049. Except where otherwise stated, they are based on accrual and historical cost convention basis. These policies have been consistently applied to all the years presented unless stated otherwise.

### 3. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as on the date of the financial statements and income and expenses during the reporting period. 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.

### 4. Summary of Significant Accounting Policies

#### A. CAPITALIZATION OF FIXED ASSETS

Effective from FY 2067/68 BPC has followed the policy to record operating fixed assets consisting of land, building, power plant and machinery at revalued amount excluding transmission and distribution line and infrastructure. When fair value of a revalued asset differs materially from its carrying amount then further revaluation will be made at the balance sheet date.

Increase in assets' carrying amount as a result of revaluation is credited directly to equity under the heading revaluation surplus. If an assets' carrying amount decreases as a result of a revaluation, the decrease is recognized in profit and loss. However, the decrease shall be debited directly to equity under heading revaluation surplus to the extent of any credit balance exists in the revaluation surplus in respect of that asset.

All other fixed assets are recorded at cost-less accumulated depreciation.

All direct costs relating to the acquisition and installation of fixed assets are capitalized.

Rural electrification networks are capitalized according to actual accumulated direct overhead and direct material costs used in erection and commissioning. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR10,000 per unit is charged to the profit and loss account in the year of purchase.

FY 2073/74 is assumed to be the year of first time adoption of NFRS for BPC. Accordingly, the treatment of property, plant and equipment will be suitably adjusted in compliance with NFRS effective from same FY.

**B. DEPRECIATION AND AMORTIZATION**

The depreciation of leasehold land, power plant, transmission and distribution lines is provided by using straight line method as per the Electricity Act 2049. Office furniture, equipment, vehicles and other assets are depreciated using the diminishing balance method. Depreciation on addition to fixed assets during the year is charged on monthly time proportion basis. Depreciation charge for each period has been recognized in profit or loss. However, depreciation in respect of revaluation of assets is transferred from revaluation reserve.

**C. GRANT AID IN RESERVE**

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.

**D. INVENTORY**

Inventories are valued at cost or net realizable value whichever is lower and weighted average costing method is applied to calculate the value of items issued from stock.

**E. FOREIGN CURRENCY**

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

**F. ON-GOING CONTRACTS AND PROJECTS**

Expenditure on on-going contractual works such as Corporate Building, rural electrification works and other infrastructural facilities are shown as capital work in progress. Expenditure on Lower Manang Marsyangdi, Chino Khola projects and other on-going contractual works are shown as project work in progress.

**G. RETIREMENT BENEFITS**

Retirement benefits for employees include the provident fund, gratuity and leave benefit schemes. Periodic contributions made to the provident fund are charged to revenue on accrual basis. Provision for gratuity is made in accordance with NAS 19 ‘Employees benefits’ employing actuarial assumption. While, provision for leave has been made on the basis of actual liability calculated in accordance with BPC’s leave benefit scheme.

The gratuity and leave benefit are computed based on the current drawn salary at the end of the fiscal year and an incremental gratuity and leave benefit for the year are provided as revenue expenses. Regular employees are eligible for the gratuity scheme after the completion of three years of service. The gratuity amount is paid to the employees on superannuation or separation.

**H. PROVISION FOR EMPLOYEE BONUSES**

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.

**I. DIVIDEND INCOME**

Cash dividend on equity shares are recognized when right to receive dividend is established at net of withholding taxes. In case of stock dividend only the number of shares is increased.

**J. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

BPC creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Besides above, all known liabilities are provided for and liabilities, whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed under contingent liabilities.

Contingent Assets are not recognized however is assessed continually to ensure that developments are appropriately reflected in the financial statements.

**K. IMPAIRMENT OF ASSETS**

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists,

the company estimates the recoverable amount of the asset. Impairment of assets is recognized when carrying amount of the assets exceeds its recoverable amount and is recognized in profit and loss account. Obsolete, unusable and un-repairable asset/materials are written off on written down value and disposed of.

**L. DIVIDEND AND PROPOSED BONUS SHARES**

Dividend and proposed bonus shares as proposed by the Board of Directors are disclosed in notes to account as per Nepal Accounting Standard.

**5. Notes to the Accounts****A. PAID-UP SHARE CAPITAL**

After Privatization on 15 Magh, 2059 (29 January, 2003) and following the right share issue in the ratio of 3:2 on Baisakh 2071, M/s Shangri-La Energy Limited is BPC's majority shareholder with shareholdings of 69.73%. As per the provisions of the Share Sale and Purchase Agreement, Government of Nepal (GoN) issued 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained 9.19% shareholding. Similarly, shareholdings of IKN Nepal AS, United Mission to Nepal, NEA and NIDC comprise 1.96%, 1.69%, 1.07% and 0.06% respectively. Currently, 16.30% of the shares are held by general public including employees and other individuals. The company is listed and is traded in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). Total paid up capital as on Ashadh end 2073 stands at NPR 1,673,222,700. Auction process for the unsubscribed right shares held in the name of United Mission to Nepal is in progress. The closing market price of the share, as on balance sheet date was NPR 894/- per share. The face value is NPR 100/- per share.

**COMPOSITION OF SHARE CAPITAL**

Category of Shareholder	Total Number of Shares Held	Holding (in %)	Amount (in NPR)
<b>PROMOTER GROUP</b>			
<b>Nepali</b>			
Individual	696,216	4.16%	69,621,600
Government	1,538,223	9.19%	153,822,300
Corporate Bodies	11,667,350	69.73%	1,166,735,000
Institutions	188,883	1.13%	18,888,300
<b>Foreign</b>			
Corporate Bodies	327,487	1.96%	32,748,700
Institutions	283,395	1.69%	28,339,500
<b>Sub Total</b>	<b>14,701,554</b>	<b>87.86%</b>	<b>1,470,155,400</b>
<b>PUBLIC SHAREHOLDING</b>			
Individual	2,030,673	12.14%	203,067,300
<b>Sub Total</b>	<b>2,030,673</b>	<b>12.14%</b>	<b>203,067,300</b>
<b>Grand Total</b>	<b>16,732,227</b>	<b>100.00%</b>	<b>1,673,222,700</b>

**B. GRANT AID IN RESERVE**

The depreciation on grant aided assets for the year of NPR 12,142,860 has been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation (in NPR)	Closing Balance (in NPR)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	8,843,201
UMN PCS contributions for rural electrification	1,594,519	18,708,541
USAID grant for rural electrification	1,388,873	10,088,484
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	11,719,293
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	353,361	5,835,411
NFMA Support for Rural Electrification Expansion Project	4,165,917	79,143,502
Local VDC/Community	2,637,293	62,340,086
<b>Total Grant Aid in Reserve and Assets</b>	<b>12,142,860</b>	<b>196,678,518</b>

**C. WORK IN PROGRESS**

Particulars	2072/73 (in NPR)	2071/72 (in NPR)
<b>A: Capital Work in Progress:</b>		
<b>Opening WIP</b>	<b>23,577,326</b>	<b>4,249,662</b>
Add: Addition during the year	71,329,015	41,030,789
Less: Capitalization during the year	52,913,736	21,703,125
Less: Transfer during the year	128,128	-
<b>Closing WIP</b>	<b>41,864,477</b>	<b>23,577,326</b>
<b>B: Project Work in Progress:</b>		
<b>Opening WIP</b>	<b>155,788,336</b>	<b>149,650,646</b>
Add: Addition during the year	8,150,147	6,137,690
Less: Transfer during the year	-	-
<b>Closing WIP</b>	<b>163,938,483</b>	<b>155,788,336</b>
<b>A+B</b>	<b>205,802,960</b>	<b>179,365,662</b>

## D. INVESTMENTS, ASSOCIATES, SUBSIDIARIES AND JOINT VENTURE

### I. INVESTMENT IN SHARES

BPC has equity investments in the following companies valued at cost at their face value except in case of Himal Power Limited (HPL). Of the total shares held in HPL, BPC has purchased 348,168 (174,084 each from Alstom Norway, AS and GE Norway, AS respectively) number of shares at the premium of NPR 371.92 per share in the FY 2065/66.

(in NPR)

Name of company	No. of shares	Unit rate	Face value	Cost price	Holding %
Himal Power Limited	2,978,502	100	297,850,200	434,931,461	16.88
Nepal Hydro & Electric Limited	715,800	100	71,580,000	71,580,000	51.3
Khudi Hydropower Limited	504,000	100	50,400,000	50,400,000	60
Khudi Hydropower Limited (Preference Share)	576,000	100	57,600,000	57,600,000	-
Nyadi Hydropower Limited	4,666,560	100	466,656,000	466,656,000	97.22
Kabeli Energy Limited	1,618,500	100	161,850,000	161,850,000	26
Hydro-consult Engineering Limited (Previously HCPL)	94,228	100	9,422,800	9,422,800	80
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Hydro Lab (P) Limited	10,000	100	1,000,000	1,000,000	10.73
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	1.06
Gurans Energy Limited	1,888,500	100	188,850,000	188,850,000	40

#### Fair Value of the Investments

The fair market value of the BPC's investment in shares in its subsidiaries and associates on equity basis as on balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NPR 383.69 million has been identified as on balance sheet date. This surplus is not recognized in the financial statement.

#### Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057 (5 July, 2000). HPL was established on 2049/11/10 (21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energi AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are SN Power, BKK and BPC. HPL sold NPR 3.782 billion worth of electricity in FY 2072/73 and has a net worth of NPR4.264 billion.

BPC has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under

separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.

#### Nepal Hydro & Electric Limited

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. The current shareholders are BPC, IKNI, Butwal Technical Institute and Himal Hydro and General Construction Limited. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company),

The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

The turnover of the company including joint ventures in FY 2072/73 was NPR 1512.8 million and its net worth is NPR 271.50 million.

#### Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns the 4-MW Khudi Power Plant, which began commercial

operation in FY 2063/64. BPC is the major shareholder of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada.

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

KHL sold NPR 80.94 million worth of electricity in FY 2072/73 and its net worth as of 31 Ashad 2073 was NPR 162.77 million.

**Nyadi Hydropower Limited**

Nyadi Hydropower Limited (NHL) was established to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO shareholding 2.78%. BPC is planning to hold 70.22% shareholdings by setting a side 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW.

The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works of the project is expected to start from January 2017 (Mid of Poush 2073)

**Kabeli Energy Limited**

Kabeli Energy Ltd. is a special purpose vehicle established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. The construction works of the project is expected to start from January 2017 (Mid of Poush 2073). Currently, BPC holds overall 53.6% shares of KEL being 26% direct investment and 27.6% through joint venture company 'Gurans Energy Limited'.

**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.

Its turnover in FY 2072/73 is NPR 98.49 million and its net worth stood at NPR 73.32 million before dividend.

**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. BPCSL's turnover in FY 2072/73 is NPR 0.205 million and its net worth is NPR 13.24 million.

**Hydro Lab Private Limited**

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

The turnover of Hydro Lab in the fiscal year 2072/73 was NPR 14.74 million. At the end of the fiscal year its net worth stood at NPR 80.48 million.

**Jumdi Hydropower Private Limited**

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

**Gurans Energy Limited**

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 188.85 million in the shares of GEL till the end of FY 2072/73. The initial joint venture pipeline includes interests in the following advanced project:

- 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.

**ii. Provision for Loss/Income in Investment**

Provision for loss was made in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements in compliance with NAS. This year, the accumulated loss in Khudi Hydropower Limited is decreased by NPR 3,012,137. On the contrary, accumulated losses in Gurans Energy Limited however increased by NPR 3,736,985. This has resulted decrease in income by NPR 724,828.

**E. CASH IN HAND AND AT BANK / BANK OVERDRAFT**

Cash in hand and at Banks include Debt Service Reserve Account deposits amounting to NPR 34 million 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.

Cash at banks also include foreign currency balance of US\$ 33,184. The overdraft/bank loan facility from banks has been obtained against the security of Jhimruk generation revenue and assets and company's corporate guarantee

**F. SALE/(PURCHASE) OF ELECTRICITY: ANDHIKOLA POWER PLANT**

Particulars	kWh	Amount (in NPR)
Total electricity generation	63,465,660	
Total sales	53,464,024	
Sale to NEA	27,220,726	139,731,998
Sale to local consumers	26,243,298	98,284,520
Internal consumption	488,864	
Transit loss	9,575,536	
Purchase from NEA	(4,605,209)	(20,631,336)

**G. SALE/(PURCHASE) OF ELECTRICITY: JHIMRUK POWER PLANT**

Particulars	kWh	Amount (in NPR)
Total electricity generation	69,498,942	
Total sales	68,628,053	
Sale to NEA	63,590,074	332,957,627
Sale to local consumers	5,037,979	36,249,750
Internal consumption	161,930	
Transit loss	2,893,199	
Purchase from NEA	(2,184,240)	(11,436,681)

**H. INCOME STATEMENT OF DISTRIBUTION BUSINESS (NPR)**

Particulars	EDC, Jhimruk	EDC, Galyang	Total
Electricity Sale to Consumers	36,249,750	98,284,521	134,534,271
Electricity Services	3,935,033	6,020,876	9,955,909
<b>Total Operating Income</b>	<b>40,184,783</b>	<b>104,305,397</b>	<b>144,490,180</b>
Distribution Expenses	27,404,062	58,859,802	86,263,864
Electricity purchases from Generation 5.04 GWhs @ PPA rate Rs. 5.23 p.u for Jhimruk and 26.24 GWhs @ average PPA rate Rs. 4.70 p.u for Galyang	26,348,630	123,343,501	149,692,131
<b>Total Operating Expenses</b>	<b>53,752,692</b>	<b>182,203,303</b>	<b>235,955,995</b>
Administrative Expenses	-	-	-
Depreciation	9,838,840	14,328,495	24,167,335
<b>Total Administrative and Other Expenses</b>	<b>9,838,840</b>	<b>14,328,495</b>	<b>24,167,335</b>
Interest Income	18,968	22,398	41,366
Other Income	441,277	1,416,145	1,857,422
Depreciation being Revenue Portion of Grant Aid (Provision)	4,341,171	6,718,640	11,059,811
<b>Total Income from Other Sources</b>	<b>4,801,416</b>	<b>8,157,183</b>	<b>12,958,599</b>
<b>Profit (Loss) before Bonus &amp; Tax</b>	<b>(18,605,333)</b>	<b>(84,069,218)</b>	<b>(102,674,551)</b>
Bonus	-	-	-
Tax	-	-	-
<b>Profit (Loss) before Appropriation</b>	<b>(18,605,333)</b>	<b>(84,069,218)</b>	<b>(102,674,551)</b>

**I. Administrative Expenses**

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



**J. FOREIGN EXCHANGE GAINS AND LOSSES**

Foreign exchange losses Rs.7,983,888.52 relating to Andhikhola upgraded project up to the date of capitalization 2071/12/22 (April 5, 2015) incurred on import of hydro mechanical and electromechanical goods from S4 system Norway (Rs. 1,111,366.08) and APP China (Rs. 6,872,522.44) respectively has been capitalized in the assets of the same project. Rs. 441,242.70 after the capitalization date pertaining to FY 2071/72 has been adjusted to reserve during this FY 2072/73. Details of adjustments done during this FY 2072/73 are as under:

A	Andhikhola Upgrading Project 9.4 MW	Rs.
1	Fx losses Capitalized up to the capitalization date 2071/12/22 (April 5, 2015)	(7,983,888.52)
2	Fx losses adjusted to Reserve relating to FY 2071/72 after the capitalization date	(441,242.70)
3	Fx losses charged to P/L account relating to FY 2072/73	(1,372,805.60)
	<b>Sub total</b>	<b>(9,797,936.82)</b>
B	Other Fx gains /(losses) relating to FY 2072/73	
1	HPL dividend	1,177,907.25
2	Foreign currency accounts maintained with various banks	392,546.41
	<b>Sub total</b>	<b>1,570,453.66</b>
	<b>Net impact shown in P/L account (Sub total of B -A3)</b>	<b>197,648.06</b>

**K. DIVIDEND INCOME**

Dividend income net of tax during the fiscal year is as under:

Name of Company	US Dollar	Equivalent NPR
Himal Power Limited	4,891,994	528,579,965
BPC Services Limited		950,000
Hydro-Consult Engineering Limited		2,237,915
<b>Total</b>		<b>531,767,880</b>

**L. PROVISION FOR INCOME TAX**

Tax provision is not required due to loss from Hydropower Plants (Jhimruk & Andhikhola Power Plants) and from other sources as per applicable tax rule. The dividend received from HPL is net of tax. Hence, no tax provision is made for this income.

Particulars	Taxable income	Tax provision
Hydropower Income/(loss)	(82,208,248)	-
Other Income/(loss)	(71,197,070)	-
<b>Total</b>	<b>(153,405,318)</b>	<b>-</b>

Long pending tax issue relating regular tax cases of BPC pertaining to FY 2059/60 (2059/10/15 to 2060/3/32) and FY 2060/61, pending with Revenue Tribunal (RT) since 2067/11/6, was settled through Tax Settlement Commission (TSC) on Ashwin 22, 2072. The tax assessment for fiscal year 2067/68 has been completed.

**M. TRANSACTIONS WITH RELATED PARTIES**

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

Name of transaction party	Amount (in NPR)	Items/Services procured)
Mercantile Communications (P) Ltd	433,920	Internet and VSAT Service
Syakar Trading Co. Pvt. Ltd.	65,450	Vehicle repair Maintenance
Beltron Trading Pvt. Ltd.	1,155,877	Battery purchase

**N. THOSE CHARGED WITH GOVERNANCE**

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

Mr. Padma Jyoti	- Chairman
Mr. Pradeep Kumar Shrestha	- Director
Mr. Rajib Rajbhandari	- Director
Mr. Bijaya Krishna Shrestha	- Director
Mr. Om Prakash Shrestha	- Director
Mr. Shyam Kishor Yadav	- Director
Mr. Chandi Prasad Shrestha	- Director
Mr. Divakar Vaidya	- Director
Mr. Bijay Bahadur Shrestha	- Alt. Director
Mr. Sanjib Rajbhandari	- Alt. Director

**O. KEY MANAGEMENT PERSONNEL**

Mr. Uttar Kumar Shrestha - Chief Executive Officer

*Note: Mr. Uttar Kumar Shrestha has been appointed as CEO effective from 15th May 2014*

**P. COMPENSATION TO CEO**

	Categories	Amount (in NPR)
A	Regular employee benefits	4,289,728

**Q. EXPENSES INCURRED FOR THOSE CHARGED WITH GOVERNANCE OF THE COMPANY**

The following provides expenses incurred for those charged with Governance of the BPC during the year.

*(in NPR)*

Nature of expenses	Current Year
Meeting Allowances	565,000
Telephone, Mobile & Newspapers/Magazines	529,500

**R. Transaction with Subsidiaries**

Following transactions were carried out with the subsidiary companies:

*(in NPR)*

Transaction with	Purchase	Sale	Advance	Receivable (Payable)
Nepal Hydro & Electric Ltd.	23,237,377	63,325	3,116,527	34,610
Khudi Hydropower Limited		108,736		58,941
BPC Services Limited		56,731		5,371
Nyadi Hydropower Limited		1,118,139		173,321
Hydro-Consult Engineering Limited	2,775,506	2,683,994		472,487
Kabeli Energy Limited		2,303,774		26,247,487
<b>Total</b>	<b>26,012,883</b>	<b>6,334,699</b>	<b>3,116,527</b>	<b>26,992,217</b>

**S. PROVISION FOR HOUSING FACILITIES**

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

**T. DEFERRED TAX**

Deferred tax is calculated as per Nepal Accounting Standard (NAS). The liability of NPR 34.81 million arises from the calculation of deferred tax because of temporary timing differences has been shown in the balance sheet separately as deferred tax liabilities. Similarly, deferred tax expenses amounting to NPR 10.95 million have been recognized in this Fiscal Year. Tax rate at 18% have been applied for computing deferred tax for hydro related activity while tax rate at 25% is applied for normal activity. The computation table is as follows;

*(NPR in million)*

Particulars	Carrying Amount	Tax Base	Diff. Asset/ (Liability)	Tax Rate	Deferred tax Asset / (Liability)
WDV of Depreciable Assets (HO)	231.63	237.23	5.60	25%	1.40
WDV of Depreciable Assets (Hydro power)	1,892.49	1,482.97	(409.52)	18%	(73.71)
Provisions (HO)	15.28	-	15.28	25%	3.82
Provisions (Hydropower)	6.05	-	6.05	18%	1.09
Unused tax losses (HO)			71.20	25%	17.80
Unused tax losses (Hydro power)			82.21	18%	14.79
Total Closing Balance as on July 15, 2016			(229.18)		(34.81)
Opening balance of Deferred tax Assets / (Liability) as on July 16, 2015					(23.86)
Deferred tax expenses for the year					10.95

**U. 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 1226 million for overall 55.6% shareholding of which BPC has invested overall NPR 448 million as on reporting date.

**ii. 30-MW Nyadi Hydropower Project**

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

BPC's part of capital commitment on this project is NPR 1,053 million for overall 70.22% shareholding after set aside for locals/public and employees; of which BPC has invested NPR 467 million as on reporting date.

**iii. 100-MW Lower Manang Marsyangdi Hydropower Project**

BPC has got survey license of 93 MW capacities Lower Manang Marsyangdi Project in May 2009. The project has been optimized for 100 MW Capacity. The project is located in Tachebagar and Dharapani VDC of Manang District. Detail feasibility study has been completed and the project is in the stage of detail design. NPR.156 million has been spent by the company as on reporting date.

**V. CAPITALIZATION OF ANDHIKHOLA HYDROELECTRICITY PROJECT 9.4 MW**

Andhikhola Hydroelectricity 9.4 MW Project started 5 years back has been successfully completed effective from 5th April, 2015 (22nd Chaitra, 2071), the Commercial Operation Date (COD). Total capitalized value of the project stood at NPR. 1,397,484,907.24 (One Billion Three Hundred Ninety Seven Million Four Hundred Eighty Four Thousand Nine Hundred Seven Rupees and Paisa 24/100 only).

**W. TENURE OF THE LICENSE OF EXISTING POWER PLANTS**

The tenure of the license 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.

**X. EVENT AFTER THE BALANCE SHEET DATE**

***Auction of unsubscribed right shares by UMN***

188,930 numbers of rights shares unsubscribed by UMN was auctioned on Shrawan 2073. Out of total amount received Rs. 160,924,439.20 from successful bidders, Rs. 18,893,000 has been transferred to share capital account and balance Rs. 142,031,439.20 to share premium account during first week of Bhadra 2073.

***Proposed Dividend***

The board of directors has proposed 20% cash dividend and 7% stock dividend on paid up capital from the net profit of the fiscal year 2072/73 and its accumulated reserve & surplus. The total amount of dividend NPR338.5 million shall be payable and 1,184,480.99 numbers of bonus shares of NPR 100 each (equivalent to Rs.118.5 million) shall be issued after the approval of 24th Annual General Meeting. Dividend will be distributed among the combination of dividend income received during the FY 2072/73 Rs.532 million after deducting the dividend tax @ 5% as final withholding plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend. This dividend is declared after the balance sheet date but before the financial statements are authorized for issue, and thus not recognized as a liability at the balance sheet date as per the NAS – 10 (12).

**Y. PRIOR YEARS ADJUSTMENT**

Particulars	Amount (in NPR)
Adj. of additional income tax of F/Y 2059/060 paid	34,849
Adj. of NEA penalty amount due to delay in COD of AKHPU Project	3,559,543
Adj. of short supply charge by NEA for F/Y 2071/72	6,592,144
Adj. of previous year's clearing forwarding expenses	1,865,267
Adj. of previous year's Depreciation	18,127
Adj. of previous year's TDS of F/Y 2069/70	1,000
Adj. of previous year's gratuity expenses	285,928
Adj. of foreign currency exchange loss of Andhikhola Upgrading Project	441,242
<b>Total</b>	<b>12,798,100</b>

**Z. ROUNDING OFF**

All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.



**Consolidated**  
Financial Statements  
**2016**

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

## **INDEPENDENT AUDITORS' REPORT TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED**

We have audited the accompanying consolidated financial statements of **Butwal Power Company Limited** which comprise the Balance Sheet as at 31st Ashadh 2073 (Corresponding July 15, 2016) and the related, Income Statement, Cash Flow Statement, Statement of Changes in Equity, and a summary of Significant Accounting Policies and Notes to the Annual Accounts for the year then ended.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, except to the fact that the consolidated financial statements have been prepared from the unaudited financial statements of Kabeli, Nyadi, Nepal Hydro Electric, Khudi and Hydro Consult Ltd. and the effect that they can have in financial statements after it being audited, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashad 31, 2073 (July 15, 2016), and of the results of its financial performance and its cash flows for the year then ended in accordance with relevant practices.

Date: Mangsir 20, 2073  
Place: Kathmandu, Nepal

**CA. Gyanendra B. Bhari**  
Partner

## Consolidated Statement of Financial Position

As of Ashadh 31, 2073

(All Amounts in Thousands)

Particulars	As of Ashadh 31, 2073	As of Ashadh 31, 2072
<b>I EQUITY &amp; LIABILITIES</b>		
<b>1. Shareholder's Fund</b>		
(a) Share Capital	1,673,223	1,673,223
(b) Reserve & Surplus	2,085,815	1,794,487
<b>2. Non Controlling Interest</b>	<b>385,919</b>	<b>344,101</b>
<b>Total Shareholder's Fund</b>	<b>4,144,956</b>	<b>3,811,811</b>
<b>3. Non Current Liabilities</b>		
(a) Grant Aid in Reserve	196,679	200,516
(b) Other Funds	13,692	9,586
(c) Mid Term & Long Term Debt	794,081	985,193
(d) Advance Toward Share Capital	262,274	-
(e) Deferred Tax Liability	48,443	34,628
<b>Total Non Current Liabilities</b>	<b>1,315,168</b>	<b>1,229,923</b>
<b>4. Current Liabilities</b>		
(a) Creditors & Other Payables	621,273	760,687
(b) Short-term Loan	346,363	184,022
(c) Advance & Deposit received	26,466	35,062
(d) Provisions	81,982	75,390
<b>Total Current Liabilities</b>	<b>1,076,084</b>	<b>1,055,160</b>
<b>Total</b>	<b>6,536,208</b>	<b>6,096,895</b>
<b>II ASSETS</b>		
<b>1. Non-Current Assets</b>		
(a) Net Property, Plant & Equipment	3,170,785	3,283,778
(b) Assets Held for Sale	-	3,170
(c) Work in Progress	1,291,951	1,132,679
(d) Non-Current Investments	728,828	527,345
(e) Deferred Tax Assets	11,793	10,260
<b>Total Non-Current Assets</b>	<b>5,203,357</b>	<b>4,957,232</b>
<b>2. Current Assets</b>		
(a) Cash in Hand and at Bank	217,381	193,820
(b) Advances & Deposits	455,346	347,899
(c) Debtors & Accounts Receivable	378,803	453,534
(d) Inventories	281,321	144,409
<b>Total Current Assets</b>	<b>1,332,851</b>	<b>1,139,662</b>
<b>Total</b>	<b>6,536,208</b>	<b>6,096,895</b>

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

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

**Date:** Mangsir 20, 2073  
**Place:** Kathmandu, Nepal

## Consolidated Statement of Profit and Loss Account

As of Ashadh 31, 2073

(All Amounts in Thousands)

Particulars	For the year ended Ashadh 31, 2073	For the year ended Ashadh 31, 2072
<b>Revenue from Operations</b>	<b>1,101,164</b>	<b>1,042,565</b>
<b>I Total Revenue</b>	<b>1,101,164</b>	<b>1,042,565</b>
<b>Expenses</b>		
Power Plant Expenses/Direct Expenses	535,946	607,056
Administrative Expenses	187,229	205,507
Depreciation Expenses	178,246	140,656
Amortisation Expenses	1,110	1,110
Interest Expenses	106,045	67,355
Other Expenses	2,452	(16,065)
<b>II Total Expenses</b>	<b>1,011,027</b>	<b>1,005,619</b>
<b>Income from other Sources</b>		
Interest Income	13,325	9,603
Other Income	16,132	45,306
Depreciation Being Revenue Portion of Grant Aid	12,143	11,640
Dividend Income	531,768	433,103
Foreign Currency Exchange (Loss)/Gain	3,817	(74)
Non operating income	31,428	10,860
Gain( Loss) on Sale of Assets & Scrap Materials	3,070	(623)
<b>III Total Income from Other Sources</b>	<b>611,683</b>	<b>509,815</b>
<b>IV Profit ( Loss) Before Bonus &amp; Tax</b>	<b>701,819</b>	<b>546,761</b>
Share of Loss/(Profit) from Associates & JVs	(19,000)	-
Deferred Tax Expenses / ( Income )	12,281	26,498
Provision for Employee's Bonus	21,998	14,092
Provision for Housing	4,106	481
Provision for Corporate Tax	14,669	14,048
Income Tax of Previous Years	11	11,389
<b>V Profit (Loss) after Tax</b>	<b>667,754</b>	<b>480,253</b>
<b>Non Controlling Interest</b>	<b>40,789</b>	<b>4,996</b>
<b>VI Profit (Loss) after Non Controlling Interest</b>	<b>626,965</b>	<b>475,258</b>
<b>VII Earnings per Equity Share (NPR)</b>		
(1) Basic	37.47	28.40
(2) Diluted	37.47	28.40

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

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

**Date:** Mangsir 20, 2073  
**Place:** Kathmandu, Nepal



## Consolidated Statement of Cash Flow

As of Ashadh 31, 2072

(All Amounts in Thousands)

Particulars	For the year ended Ashadh 31, 2072	For the year ended Ashadh 31, 2072
<b>Profit (Loss) before Bonus and Tax</b>	<b>701,819</b>	<b>546,761</b>
Adjustment:	-	-
Ordinary Depreciation	167,721	130,814
Depreciation Charged to Grant Aid in Reserve	12,143	11,640
Foreign Currency Exchange (Gain)/Loss	(2,237)	(244)
Interest Expenses	106,045	67,804
Interest Income	(23,707)	(39,177)
Dividend Income	(531,768)	(434,380)
Provision on Loss/(income) in Investment	-	-
Provision for Expenses	10,533	(306)
(Gain)/Loss on disposal of Stock/ Assets	(3,070)	623
Deferred Revenue Expenses/Pre operating Expenses	-	-
Profit from JV's	19,000	-
Written off of Assets	989	11,488
Reverse of other Income	-	(3,921)
<b>II Operating Profit before Working Capital Changes</b>	<b>457,468</b>	<b>291,102</b>
Decrease/(Increase) in Debtors & Accounts Receivable	(16,551)	153,844
Decrease/(Increase) in Stocks	(90,464)	19,907
Decrease/(Increase) in Advance & Deposit Paid	(87,699)	102,581
Increase/(Decrease) in Creditors & Accounts Payable	(324,538)	(89,699)
Increase/(Decrease) in Advance & Deposit Received	(11,536)	(17,404)
<b>III Cash Generated from Operations</b>	<b>(73,320)</b>	<b>460,331</b>
Interest Paid	(106,045)	(68,076)
Foreign Currency Exchange Gain/(Loss)	2,237	244
Bonus Paid	(13,404)	(7,245)
Tax Paid	(11,264)	(57,213)
Gratuity/Leave money paid	(6,784)	(3,956)
Prior year Adjustment	(13,594)	(48,714)
<b>I Net Cash Flows from Operating Activities (A)</b>	<b>(222,174)</b>	<b>275,370</b>
Purchase/Sale of Fixed Assets	(81,879)	(1,445,214)
Assets Held for Sale	3,170	-
Investment in Share	(353,371)	(220,340)
Decrease/(Increase) in Capital Work-in-Progress	(172,918)	988,696
Interest Received	23,707	40,454
Dividend Received	531,768	433,103
Loans and Advances	250,446	87,531
Proceeds from sales & write off of Fixed Assets	648	42
<b>II Net Cash Flows from Investing Activities (B)</b>	<b>201,571</b>	<b>(115,728)</b>
Increase/(Decrease) in Grant Aid in Reserve/ Fund	-	-
Issue of share capital/Advance against share capital	411,169	233,886
Increase/(Decrease) in Grant Aid in Reserve	(3,837)	943
Increase/(Decrease) in Share Premium	-	-
Increase/(Decrease) in Long Term Loan	(182,863)	(134,021)
Increase/(Decrease) in Short Term Loan	145,013	(61,249)
Dividend Paid	(325,318)	(248,530)
<b>III Net Cash Flows from Financing Activities (C)</b>	<b>44,164</b>	<b>(208,971)</b>
<b>IV Net Changes in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>23,561</b>	<b>(49,329)</b>
<b>V Opening Cash and Cash Equivalents</b>	<b>193,820</b>	<b>243,149</b>
<b>VI Closing Cash and Cash Equivalents</b>	<b>217,381</b>	<b>193,820</b>

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

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

**Date:** Mangsir 20, 2073  
**Place:** Kathmandu, Nepal

## Consolidated Statement of Changes in Equity

As of Ashadh 31, 2073

(All Amounts in Thousands)

S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As Ashadh 31, 2073
<b>I</b>	<b>Balance as on 32nd Ashadh, 2072</b>	<b>1,673,223</b>	<b>475,336</b>	<b>148,700</b>	<b>11,007</b>	<b>5,343</b>	<b>1,154,102</b>	<b>3,467,710</b>	<b>344,101</b>	<b>3,811,811</b>
	Opening Adjustments						27,664	27,664	1,210	28,874
	Issue of Share Capital							-	(181)	(181)
	Revaluation Adjustment	-	(12,846)					(12,846)		(12,846)
	Dividend of FY 2071/72 paid						(334,645)	(334,645)		(334,645)
	Profit for the Year					-	626,965	626,965	40,789	667,754
	Capital Reserve					(3,012)		(3,012)	-	(3,012)
	Prior Year's Adjustment						(12,798)	(12,798)	-	(12,798)
<b>II</b>	<b>Balance as on 31st Ashadh, 2073</b>	<b>1,673,223</b>	<b>462,490</b>	<b>148,700</b>	<b>11,007</b>	<b>2,331</b>	<b>1,461,288</b>	<b>3,759,038</b>	<b>385,919</b>	<b>4,144,956</b>

S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As on Ashadh 31, 2072
<b>I</b>	<b>Balance as on 32nd Ashadh, 2071</b>	<b>1,673,223</b>	<b>488,635</b>	<b>148,700</b>	<b>11,007</b>	<b>-</b>	<b>940,974</b>	<b>3,262,538</b>	<b>177,937</b>	<b>3,440,475</b>
	Opening Adjustments						35,351	35,351		35,351
	Issue of Share Capital								161,775	161,775
	Revaluation Adjustment	-	(13,299)					(13,299)		(13,299)
	Dividend of FY 2070/71 paid						(250,983)	(250,983)		(250,983)
	Profit for the Year						475,258	475,258	4,996	480,253
	Capital Reserve					5,343		5,343		5,343
	Prior Year's Adjustment						(46,497)	(46,497)	(607)	(47,104)
<b>II</b>	<b>Balance as on 31st Ashadh, 2072</b>	<b>1,673,223</b>	<b>475,336</b>	<b>148,700</b>	<b>11,007</b>	<b>5,343</b>	<b>1,154,102</b>	<b>3,467,710</b>	<b>344,101</b>	<b>3,811,811</b>

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Uttar Kumar Shrestha**  
Chief Executive Officer

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

**Date:** Mangsir 20, 2073  
**Place:** Kathmandu, Nepal

## Significant Accounting Policies and Notes Relating to the Provisional Consolidated Financial Statements

of Fiscal Year 2072/73 (2015/16)

### 1. GENERAL INFORMATION

Butwal Power Company Ltd ('the Company') and its subsidiaries' (together forming 'the Group') principal activities include the development of hydropower project, provide consulting services, hydraulic modelling and operation and maintenance services to hydropower plants. The Group has carried on the business in Nepal and overseas and employs over 500 people.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1 Basis of presentation

These consolidated financial statements have been prepared in accordance with Nepal Accounting Standard (NAS) applying purchase method. Except where otherwise stated, they are based on accrual and historical cost convention basis. These policies have been consistently applied to all the years presented unless stated otherwise.

#### 2.2 Use of estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. 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.

#### 2.3 Consolidation

##### (a) Subsidiaries

Subsidiaries are all entities, over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group has followed purchase method to account for the acquisition of subsidiaries.

The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions, between entities of the group are eliminated. The accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The figures of sales, purchases and other related party transaction may be changed due to provisional figures taken for the consolidation.

BPC has owned 26% direct holding in the shares of Kabela Energy Limited (KEL). However, considering its cross holding through Gurans Energy Limited, total shareholdings of BPC in KEL stands at 53.6%.

The projects of Nyadi Hydropower Limited 30 MW and Kabela Energy Limited 37.6 MW are at construction stage and not generating any income. Accordingly, Income statements have not been prepared by both of them.

##### (b) Non Controlling Interest

Non Controlling Interest represents the portion of a subsidiary's profit and loss and net assets that is not held by the group.

##### (c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the Voting rights. Investments in associates are accounted for by applying equity method of accounting and are initially recognised at cost.

Intra group gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intra group losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

## 2.4 FOREIGN CURRENCY TRANSLATION

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Nepali Rupees (NPR), which is the Group's presentation currency and rounded off to nearest thousand.

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## 2.5 PROPERTY, PLANT AND EQUIPMENT

Property and power plant comprise mainly land, access road, power houses and offices occupied by the Group. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

## 2.6 INTANGIBLE ASSETS

The heading includes intangible assets that are internally generated or acquired separately or in the business combination when they are identifiable and can be reliably measured. Intangible assets comprise of MIS software and are amortized over its useful life. Amortization of intangible assets is allocated to the separate heading of expense function in the income statement.

## 2.7 OFFSETTING CURRENT ASSETS AND LIABILITIES

Current Assets and Liabilities are offset and the net amount reported in the consolidated balance sheet only when

there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from the initial recognition.

## 2.9 SHARE CAPITAL

Shares are classified as equity when there is no obligation to transfer cash or other assets.

## 2.10 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan.

## 2.11 REVENUE RECOGNITION

Revenue comprises the fair value for services, net of value-added tax, after eliminating revenue within the Group. Revenue is recognised as follows:

### **(a) Rendering of services**

Revenue arising from sale of electricity and other related management and engineering services offered by the Group are recognised in the accounting period in which the services are rendered.

### **(b) Interest income and expenses**

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within 'investment income' and 'finance costs' in the income statement using the effective interest rate method.

### **(c) Dividend income**

Dividend income is recognised when the right to receive payment is established.

## 2.12 DIVIDEND DISTRIBUTION

Dividend proposed to the Company's shareholders is not recognised as a liability in the Group's financial statements rather than by making disclosure pending approval from the Company's shareholders

## 2.13 FIGURES OF THE PREVIOUS YEAR AND ROUNDING OFF

Last year published figures for 2071/72 was taken from unaudited financial statement; however in the current fiscal year audited figure has been taken for 2071/72. The figures of the FY 2071/72 have been regrouped and reclassified wherever necessary to make comparison with the figure of FY 2072/73. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

## Statement of Financial Position of BPC Subsidiaries

As on 31st Ashadh 2073 (15th July 2016)

(in NPR)

Particulars	Kabeli	Nyadi	NHE	BPCSL	Khudi	Hydro Consult
<b>SHARE CAPITAL</b>	228,969,947	480,000,000	139,530,000	10,000,000	165,650,000	11,778,500
Equity Share Capital	228,969,947	480,000,000	139,530,000	10,000,000	84,000,000	11,778,500
Preference Share Capital					81,650,000	
Reserve & Surplus	-	-	137,044,714	3,235,494	(4,806,153)	64,909,112
<b>Total Shareholder's Fund</b>	<b>228,969,947</b>	<b>480,000,000</b>	<b>276,574,714</b>	<b>13,235,494</b>	<b>160,843,847</b>	<b>76,687,612</b>
<b>Non Current Liabilities</b>						
Other Funds			13,692,153			
Mid Term & Long Term Debt					198,955,069	
Advance Toward Share Capital	262,273,909					
Deferred Tax Liability				466	13,635,526	
<b>Total Non Current Liabilities</b>	<b>262,273,909</b>	<b>-</b>	<b>13,692,153</b>	<b>466</b>	<b>212,590,596</b>	<b>-</b>
<b>Current Liabilities</b>						
Creditors & Other Payables	226,799,162	833,466	324,972,129	43,677	21,100,787	11,430,789
Short-term Loan			114,772,733	-		
Advance & Deposit received			-			4,091,371
<b>Provisions</b>		<b>521,069</b>	<b>57,402,269</b>	<b>143,362</b>		<b>13,959,927</b>
<b>Total Current Liabilities</b>	<b>226,799,162</b>	<b>1,354,535</b>	<b>497,147,131</b>	<b>187,039</b>	<b>21,100,787</b>	<b>29,482,087</b>
<b>TOTAL</b>	<b>718,043,018</b>	<b>481,354,535</b>	<b>787,413,998</b>	<b>13,422,999</b>	<b>394,535,230</b>	<b>106,169,699</b>
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property Plant & Equipment Gross Block	<b>18,007,043</b>	6,310,576	316,149,460	311,051	<b>588,245,937</b>	16,656,857
Less: Depreciation	<b>6,877,434</b>	3,322,632	179,093,468	244,230	<b>227,697,797</b>	10,815,400
<b>Net Property, Plant &amp; Equipment</b>	<b>11,129,608</b>	<b>2,987,944</b>	<b>137,055,992</b>	<b>66,821</b>	<b>360,548,139</b>	<b>5,841,457</b>
Work in Progress	<b>637,262,909</b>	435,181,903	23,534,837			
Non-Current Investments				12,000,000	<b>1,000,000</b>	
Deferred Tax Assets			10,796,492			997,001
<b>Total Non-Current Assets</b>	<b>648,392,520</b>	<b>438,169,847</b>	<b>171,387,321</b>	<b>12,066,821</b>	<b>361,548,139</b>	<b>6,838,458</b>
<b>Current Assets</b>						
Cash in Hand and at Bank	<b>57,604,286</b>	38,973,145	10,892,819	917,599	<b>540,183</b>	42,719,263
Advances & Deposits	<b>12,046,213</b>	4,209,465	154,265,500	420,377	<b>32,446,909</b>	32,602,766
Trade & Other Receivables	-	2,078	262,795,920	18,202		24,009,212
Inventories	-	-	188,072,436			-
<b>Total Current Assets</b>	<b>69,650,498</b>	<b>43,184,688</b>	<b>616,026,675</b>	<b>1,356,178</b>	<b>32,987,092</b>	<b>99,331,241</b>
<b>TOTAL</b>	<b>718,043,018</b>	<b>481,354,534</b>	<b>787,413,996</b>	<b>13,422,999</b>	<b>394,535,231</b>	<b>106,169,699</b>

## Statement of Profit & Loss Account of BPC Subsidiaries

For the year ended 31st Ashadh 2073 (15th July 2016)

(in NPR)

Particulars	NHE	BPCSL	Khudi	Hydro Consult
Revenue from Operations	487,387,092	204,657	81,802,309	110,717,057
<b>Total Revenue</b>	<b>487,387,092</b>	<b>204,657</b>	<b>81,802,309</b>	<b>110,717,057</b>
<b>Expenses</b>				
Power Plant Expenses/Direct Expenses	372,771,979	-	3,317,570	70,649,780
Administrative Expenses	63,210,117	483,951	17,767,918	9,924,452
Depreciation Expenses	11,363,678	22,274	23,242,968	1,764,464
Amortisation Expenses	1,109,572	-	-	-
Interest Expenses	7,164,775	-	19,590,552	-
Other Expenses				1,727,643
<b>Total Expenses</b>	<b>455,620,121</b>	<b>506,225</b>	<b>63,919,007</b>	<b>84,066,339</b>
<b>Income from Other Sources</b>				
Interest Income		874,393	-	462,454
Other Income		-	577,951	
Foreign Currency Exchange (Loss)/Gain	1,580,361		179	2,038,882
Non operating income	29,779,336			1,648,581
Gain( Loss) on Sale of Assets & Scrap Materials				57,164
<b>Total Income from Other Sources</b>	<b>31,359,697</b>	<b>874,393</b>	<b>578,130</b>	<b>4,207,081</b>
<b>Profit ( Loss) Before Bonus &amp; Tax</b>	<b>63,126,668</b>	<b>572,825</b>	<b>18,461,432</b>	<b>30,857,799</b>
Share of Loss/(Profit) from Associates & JVs	(19,000,000)			
Deferred Tax Expenses / ( Income )	(679,216)	(155)	2,866,236	(854,045)
Provision for Employee's Bonus	7,092,758		361,989	2,805,254
Provision for Housing	4,106,333			-
Provision for Corporate Tax	7,870,873	143,362	-	6,654,522
Income Tax of Previous Years	-			11,324
<b>Profit (Loss) after Tax</b>	<b>63,735,920</b>	<b>429,618</b>	<b>15,233,207</b>	<b>22,240,744</b>
<b>Earnings per Equity Share (NPR)</b>				
(1) Basic	45.68	4.30	18.13	188.82
(2) Diluted	45.68	4.30	18.13	188.82

## List of Abbreviations

<b>BPC</b>	Butwal Power Company Limited
<b>BOOT</b>	Build, Own, Operate and Transfer
<b>FY</b>	Fiscal year (Shrawan to Ashad B.S.)
<b>DoI</b>	Department of Industry
<b>DoED</b>	Department of Electricity Development
<b>EPS</b>	Earning Per Share
<b>GON</b>	Government of Nepal
<b>HCE</b>	Hydro Consult Engineering Limited
<b>HPL</b>	Himal Power Limited
<b>IKN</b>	Interkraft AS. Norway
<b>IRD</b>	Inland Revenue Department
<b>JDMP</b>	Jhimruk Downstream Mitigation Project
<b>KHL</b>	Khudi Hydropower Limited
<b>LTPO</b>	Large Tax Payers Office
<b>NHL</b>	Nyadi Hydro Power Limited
<b>NMFA</b>	Norwegian Ministry of Foreign Affairs
<b>MOE</b>	Ministry of Energy
<b>NEA</b>	Nepal Electricity Authority
<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>NPR.</b>	Nepalese Rupees
<b>PEEDA</b>	People, Energy and Environment Development Association
<b>PPA</b>	Power Purchase Agreement
<b>REEP</b>	Rural Electrification and Expansion Project
<b>SEBON</b>	Security Exchange Board of Nepal
<b>SEL</b>	Shangri-La Energy Limited
<b>UMN</b>	United Mission to Nepal
<b>WIP</b>	Work in Progress



[www.bpc.com.np](http://www.bpc.com.np)