



Annual **Report** | **2012**

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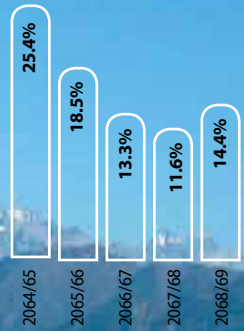
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HIGHLIGHTS OF THE YEAR

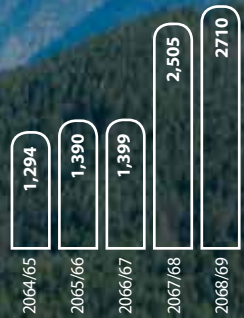
- **Andhikhola upgrade project under full fledge construction**
- **DPR of 140 MW Lower Manang Marsyangdi completed**
- **Established JV Company with InfraCo Asia for new investment in Hydro Projects**
- **Earning Per Share stands at NPR 47.6**
- **Contribution of 3.02% to the total hydro generation**
- **Electricity supplied to 39,578 consumers in the country**
- **Net income increased by 46.9%**

Financial Highlights

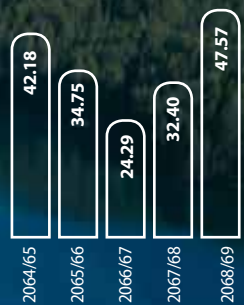
RETURN ON ASSETS



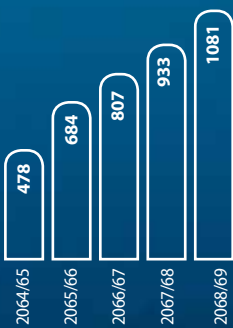
NET WORTH (In NPR Million)



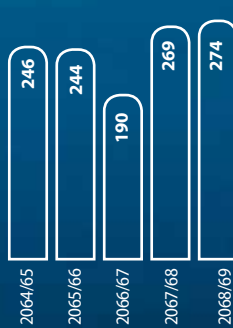
EARNING PER SHARE (In NPR)



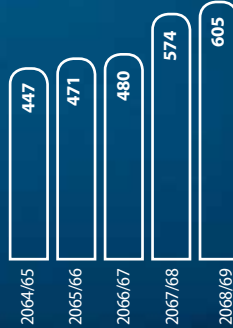
INVESTMENT (In NPR Million)



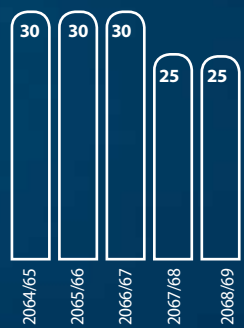
OPERATING PROFIT (In NPR Million)



REVENUE (In NPR Million)



DIVIDEND PER SHARE (In NPR)



Company Profile

PIONEER IN NEPAL'S HYDROPOWER DEVELOPMENT SINCE 1966

Butwal Power Company (BPC) is one of the leading companies in Nepal's power sector with generation and distribution as its core business areas. Incorporated in 1965 as a private company and converted into public limited company in 1993, 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 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, BPC is the only enterprise

which can look back to a four decade long history of success, sustained growth and capacity building in the country. BPC is engaged in operation & maintenance of power plants, consulting engineering of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies,.

BPC owns and operates Andhikhola (5.1 MW) and Jhimruk (12 MW) plants located in western Nepal. It owns majority stake in Khudi hydropower plant (4 MW). BPC is also developing three hydropower projects: Nyadi, Kabeli and Lower Manang Marsyangdi with combined capacity of 205 MW through separate SPVs. The capacity of Andhikhola Project is being upgraded from 5.1 to 9.4 MW. BPC has ownership in Khimti Hydropower Project (60 MW) together with partners Statkraft Norfund Power Invest AS (SN Power) & Bergenshalvoens Kommunale Kraftselskap (BKK). BPC also has ownership in Hydro Lab which specializes in hydraulic model study of hydropower projects, sediment analysis & efficiency measurements.

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

An ISO 9001:2008 and 14001:2004 certified company

Corporate Information

Name: Butwal Power Company Limited

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

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

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

Date privatised: 29 January 2003 (2059/10/15 BS)

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

PAN /VAT No: 500047963

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

Statutory auditor: PP Pradhan & Co. Lalitpur, Nepal

Internal auditor: JB Rajbhandari & DiBins, Kathmandu, Nepal

Stock exchange listing: Nepal Stock Exchange (NEPSE), as BPCL

Share Registrar: NMB Capital Markets Ltd., Babarmahal, Kathmandu



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.

CORPORATE GOVERNANCE

Corporate Value Framework of BPC has embraced governance philosophy -- "Governance practices beyond regulatory requirements" The framework specify core values, business principles, governance code and code of conducts and ethics. BPC's corporate culture is founded on its legacy, on the conscious efforts of the board and management to adopt and promote good governance, and on awareness that the long-term interests of the company are best served by maintaining a strong commitment to honest and open business practices. BPC is thriving to attain the highest levels of transparency, accountability and equity of its operations and in all its interactions with its stakeholders, including its customers, shareholders, and employees as well as government, statutory authorities, regulators, lenders and the wider community. The company believes that all its operations and actions must serve its underlying goal of enhancing the overall enterprise value and safeguarding trust of the shareholders. In addition to a high degree of compliance with mandatory corporate governance rules and regulations, BPC is making more voluntary disclosures directed at providing shareholders and investors with appropriate data and information so that they can properly evaluate their investments and make informed decisions.

INTEGRATED QUALITY & ENVIRONMENTAL POLICY

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

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

Board of Directors





From left to right

Mr. Anup Kumar Upadhyay, Director
Mr. Om Prakash Shrestha, Alternate Director
Mr. Ratna Sansar Shrestha, FCA, Director
Mr. Sanjib Rajbhandari, Alternate Director
Mr. Bijay Bahadur Shrestha, Director
Mr. Padma Jyoti, Chairman
Mr. Rajib Rajbhandari, Alternate Director
Mr. Bijaya Krishna Shrestha, Director
Mr. Pradeep Kumar Shrestha, Director

Chairman's Message

The power industry has a key role in Nepal's development, yet the political deadlock has put this key element on the back bench. The rising energy deficit on the backdrop of restricted growth of the sector has contributed largely in decline of industrial growth and GDP growth which stands at 4.5%. Several electricity input centric industries are losing competitive advantage with increasing dependence on fossil fuel based power sources.

The year saw an addition of 5.5 MW to the INPS, while the peak demand grew by 8.5% to 1027 MW, increasing the restricted demand supply gap to 570 MW which was contained at 448 MW with import from neighboring country, At the same time an average inflation in the range of 8-9% and rising labor costs are making the projects expensive giving rise to an additional adverse dimension to the sector.

To cater to Nepal's stupendous energy deficit and projected demand, BPC has drawn up aggressive plans to expeditiously add generation capacity and contribute towards achieving the Government of Nepal's vision of providing affordable energy to all sections of the Nepalese society. The expansion plans demonstrate BPC's commitment to reinforce its footprint in the country's promising energy sector.

We recognize that balanced and disciplined development plan and capital investment is the primary responsibility of our Board and leadership team which is why we ensure sound preparation of projects from technical, environmental, social and statutory angles while making investment decisions.

We value relationship with development agencies like WB, IFC, InfraCo, Norfund in creating value and sustainable development and are partnering in various modes in development of our projects.

BPC and its group company's performance have been continuously improving, and performed better during the year 2068-69, and this inertia is expected to further enhance the groups' performance in the year ahead.

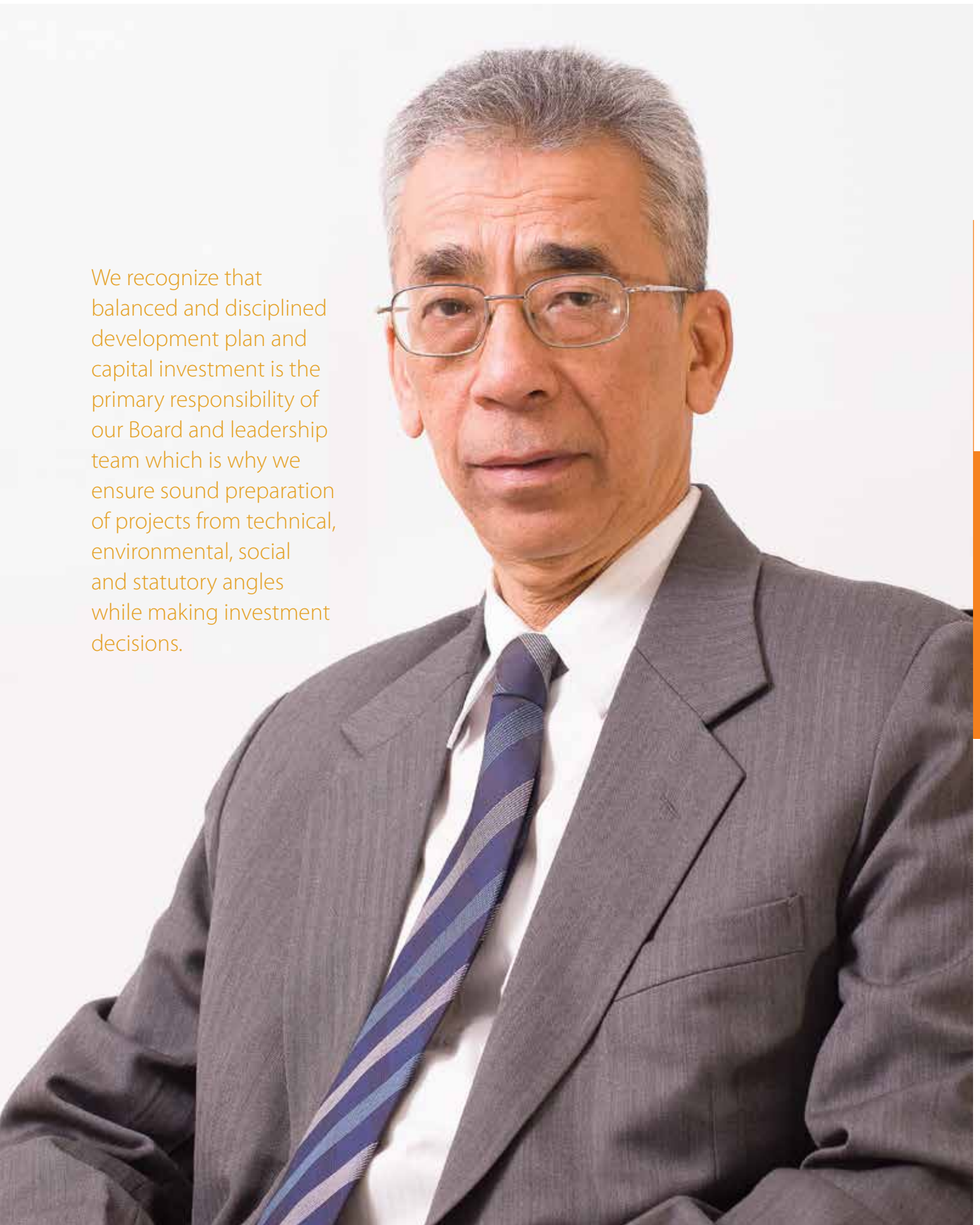
In spite of focused effort in project development, we have backlog. Keeping values first, we hope to catch on with our expansion plans amidst uncertain political and economic environment.

With underlying support of shareholders and ability of Team BPC we are confident of continued growth in 2069-70.



Padma Jyoti
Chairman

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Board of Directors' Report

Dear Shareholders,

Your Board has pleasure in presenting the annual report and the audited statements of accounts of the company for the year ending July 15, 2012.

Financial Performance

The Company posted a turnover of NPR 605.1 million during the fiscal year, registering a growth of 5.4%.

The profit before bonus and tax registered an increase of 46.4% compared to previous year from NPR 377.0 million to NPR 552.1 million. The net profit after bonus and tax increased to NPR 483.5 million from NPR 329 million, an increase of 46.9% over the previous year. The financial highlights of the company are briefly summarized below.

Business Operations

GENERATION BUSINESS

A total of 103.55 GWh energy generation was recorded during the FY 2068-69, a decrease of 0.04 % from previous year, with an average annual plant factor of 69.13 %. Further, 7.2 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during plant outages. Of the

total energy available, 76.8% was supplied to NEA, 20.7% was utilized to cater to the local demand through BPC distribution, and self consumption, T&D losses accounted for the rest.

Andhikhola Plant generated 38.34 GWh, an increase of 3.9 % (1.45 GWh) over the last year, with a plant factor of 85.83 %. The plant could not supply the full contract energy to NEA this year too due to further expansion of local distribution and lower than expected discharge in the river in dry months. A total of 23.67 GWh was supplied to NEA and 18.51 GWh was supplied to local distribution from the total available energy, which also includes an import of 5.0 GWh.

Jhimruk Plant generated 65.20 GWh with plant factor of 62.03 %, a decrease of 2.19 % compared to previous year. The main reasons, for lower generation, were extended dry period and reduced dispatch instruction for excess energy. A total of 61.4 GWh was supplied from Jhimruk Plant to NEA, which is 6.4 GWh in excess of the contract energy and 4.4 GWh was supplied to

FINANCIAL RESULTS

(The figures are in million NPR unless specified)

PARTICULARS	FY 2068-69	FY 2067-68
Income from the bulk sale of electricity	432.5	408.6
Income from the retail sale of electricity and services	91.5	84.4
Income from management and technical services	81.1	80.9
Total operating income	605.1	573.9
Operating expenses	246.1	231.6
Gross operating profit	359.0	342.3
Other income	429.7	189.3
Administrative and other expenses	236.6	154.6
Net profit	483.5	329.0
Earnings per share (in NPR)	47.6	32.4
Net worth	2,710	2,505

local distribution from the total available energy, which also includes an import of 2.2 GWh along with energy generated.

The old equipment of Andhikhola and the fragile 33 kV grid connection continued to provide considerable challenge towards maximizing energy generation and sale. The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. In order to maximize generation, increase reliability and reduce outages, preventive maintenance of the plants and 33 kV transmission lines were carried out timely as per schedule.

DISTRIBUTION BUSINESS

The local distribution network spread across Syangja, Palpa, Pyuthan and Arghakhanchi continued to grow, registering an addition of 1630 consumers in the FY 2068-69. Total number of consumers as on end FY 2068-69 stood at 39578. A total of 22.88 GWh was purchased to cater the growing demand, an increment of 15% compared to the previous year. Of the total energy purchased, 19.06 GWh was sold to retail customers, and of the balance, 3.74 GWh and 0.07 GWh accounted for distribution losses and internal consumption respectively. There was an increase of 16% in total energy sale compared to previous year.

Out of 19.06 GWh sold to retail customers, 15.74 GWh (82.6%) was sold to metered consumers, 1.03 GWh (5.4%) to unmetered or cut-out consumers, and 2.29 GWh (12%) to industrial consumers. Compared to previous year's energy sales mix, there has been a marked increase in sale of energy to metered consumers and reduction in energy sale to cutout customers. As an ongoing effort to reduce revenue loss, additional 648 cut-out customers were converted into metered customers.

Total revenue collected this year was NPR 86.65 million, an increase of 16% compared to previous year, of which NPR 71.45 million (83%) was collected from metered consumers, NPR 2.7 million (3%) from cut-out consumers, and NPR 12.5 million (14%) industrial consumers.

Operating Subsidiaries and Associates

Himal Power Limited owns and operates the 60 MW Khimti Hydropower Project, which began commercial operation on July 5, 2000. HPL paid off its loans during the year and registered a net profit of NPR 1.85 billion. BPC received NPR 375 million as dividend during FY 2068-69 from HPL. The net worth of HPL as on July 15, 2012 was NPR 4.82 billion. The Company has declared interim dividend of USD 35.8 million for the year FY 2068-69.

Hydro-Consult Engineering Ltd., formerly Hydro Consult Pvt. Ltd., is an engineering consulting company, specializing in Hydropower, irrigation and infrastructure projects and providing Environment & Social Impact Assessment study services, continued to grow steadily during the year. The company was converted into a public limited company during the year, which is the first such entity in the country.

HCE maintained its financial performance in line with previous year. In FY 2068-69, the company posted revenue of NPR 58.78 million from consultancy services. The total revenue increased by 8% compared to the corresponding figure of previous year. The net profit after tax is reported at NPR 8.22 million. The shareholders' fund and net worth of the company has risen to NPR 27.72 million from NPR 19.49 million, registering an increment of 42.2%.

Nepal Hydro & Electric Ltd. was established in 1985 in partnership with Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute and Himal Hydro and General Construction Limited. GE Energy has sold their share to IKN Industrial AS (IKNI), Norway and the share transfer process has been concluded. During the year, Alstom also signed SPA to sell their stake to IKNI, and GoN (through DoI) approval has been received and amended JVA signed in this backdrop has also been approved.

NHE manufactures and refurbishes hydro-mechanical equipments 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.

The company recorded a turnover of NPR 434.7 million and registered a net profit of NPR 19.5 million in the FY 2068-69, an increment of 15.8% compared to previous year. The net worth of NHE as of July 15, 2012 is NPR 225.7 million.

Khudi Hydropower Ltd. owns and operates the 4MW hydropower plant, which began its commercial operation in FY 2063-64.

Khudi Hydropower Plant supplied 20.46 GWh to the national grid in the FY 2068-69. Total revenue of NPR 86.45 million has been generated during the fiscal year. The loan availed by KHL has been restructured and the repayment period has been extended by 6 years. The financial situation of KHL is expected to improve steadily.

Hydro Lab Pvt. Ltd. was established in 1988 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 equipments and the company has accumulated extensive experience in hydraulic river model studies including hydraulic structures and sediment analysis.

HLPL's turnover was NPR 35.8 million in the FY 2068-69 and it recorded a net profit of NPR 5.9 million. The net worth of HLPL during the year was NPR 48.9 million.

BPC Services Ltd., a wholly owned subsidiary of BPC established in 2006, is the only company 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's total income before depreciation, interest expenses and provisions was NPR 0.78 million in the FY 2068-69. The net worth of BPCSL as on July 15, 2012 stands at NPR10.5 million.

Projects/Joint Venture Companies

Andhikhola Upgrading Project undertaken by BPC to upgrade the capacity from 5.1 MW to 9.4 MW is under construction. The project is being financed by International Finance Corporation and Mega Bank Ltd. The construction works are in full swing and the commencement of commercial operation for the upgraded plant is expected in April 2013. With commissioning of the project, additional 26 GWh will be added to the INPS annually. NPR 243 million has been spent in the project.

Kabeli Energy Limited, a SPV with BPC as majority shareholder, is developing 37.6 MW peaking run-of-river hydropower project on the Kabeli River situated in Taplejung and Panchthar Districts of eastern Nepal.

The total cost of the project, including financing costs and IDC, is estimated to be about USD 97 million. The project will produce 201 GWh of energy, annually. KEL has executed the Project Development Agreement with Government of Nepal for development of the project on Build-Own-Operate-Transfer (BOOT) basis. The project will be debt financed by IDA fund from the World Bank, IFC and domestic financial institutions.

Negotiation for finalization of terms of the IDA fund is ongoing with GoN. For additional financing, discussion with IFC and local bank is ongoing. WB and IFC have completed project appraisal and are in the process of obtaining internal approvals. The financial closure is expected to be concluded by February 2013.

BPC has invested NPR 289.3 million in KEL as of FY 2068-69 end. The construction of project will commence after the financial closure and the project is expected to be commissioned by 2016.

Nyadi Hydropower Limited, a SPV, with BPC as the major stakeholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project.

The motorable track opening up to powerhouse site has been completed and tracks to other sections like surge shaft, headworks and intermediate adit is under construction.

Connection Agreement for the power evacuation has been signed with NEA and the PPA is under finalization. IFC has completed project appraisal and are preparing for internal approvals.

The total cost of the project is estimated to be about USD 67.6 million. The project will generate 168 GWh of energy annually and is expected to start commercial operation by 2016. BPC has already invested NPR 292 million in the project.

Lower Manang Marsyangdi Hydropower Project is located at the southern part of Manang District. From the updated feasibility study, the installed capacity of the project is fixed at 140 MW. The power generated from the project will be evacuated via the proposed Marsyangdi Corridor 220 kV Transmission Line to be developed by the NEA.

Feasibility Study and the geotechnical investigation of the project have been completed. EIA Study has been completed and EIA Report has been submitted to MoE for approval. Besisahar-Chame Feeder road for access to the project has been opened and is motorable. It is planned to start the main construction works from 2014 and achieve COD by end of 2017. BPC has invested NPR 104 million in this project as of FY 2068-69.

Gurans Energy Limited, a new joint venture company with InfraCo Asia, has been recently established for the purpose of acquisition, development, financing, construction, ownership and operation of hydroelectric power projects and other infrastructure projects in Nepal.

Dividend

The Board is aware of the investment requirements for the projects under development and also for other projects which the company is planning to undertake. The investments will contribute to creation of wealth for shareholders in the long term. However, the company has adopted a stable dividend policy and accordingly, the Board has recommended cash dividend of 25% of the paid up capital from the profit of FY 2068-69.

Right Share

Considering the projected fund requirement for the projects being developed by the company, issue of right shares was approved by the 17th Annual General

Meeting. The process for issuance of right shares in the ratio of 3:2 was initiated. However, due to the political and investment climate of the country which had effect on the project progress, timing for issue of right shares was re-scheduled. The right issue process is at final stage now and its prospectus is going to be published shortly.

Board of Directors and Board Committees

There were changes in representation in the Board during the year. Shangri-La Energy Limited has nominated Mr. Bijaya Krishna Shrestha as a Director on the Board of the Company with effect from 19th October 2011 in place of Mr. Ganesh Lal Shrestha. Shangri-La Energy also nominated Mr. Om Prakash Shrestha and Mr. Sanjib Rajbhandari as Alternative Directors on the Board of the Company with effect from 19th October 2011. Mr. Nirmal Pradhan, Director representing public shareholder resigned from his position effective from 17th February 2012 on health grounds. We welcome the new Directors and extend our sincere thanks to Mr. Ganesh Lal Shrestha and Mr. Nirmal Pradhan for their valuable contribution during their tenure as Director. The committees constituted by the Board assisted in strengthening the internal controls and corporate governance in the company.

Board Committees

AUDIT COMMITTEE

The Audit Committee played an important role in strengthening the internal controls and good corporate governance. The committee met periodically to assess the internal controls and processes. Some of the major functions of this committee include- reviewing financial statements, internal control and risk management systems, review and approval of the accounting policy, recommending the name of an auditor, etc.

HR COMMITTEE

The HR Committee was constituted during FY 2068-69 to review the policies and guidelines adopted by the Company and advice the management on matters related to Human Resources.

BUDGET COMMITTEE

The Budget committee is responsible to monitor and control the budget and scrutinize the budget proposed by the management.

Corporate Governance

BPC has adopted "corporate value framework" to ensure good corporate governance in the company. BPC's corporate value framework comprises of vision, mission, values; business principles and policies; corporate governance code, code of conduct and ethics. Compliance to corporate governance standards is reported separately as Corporate Governance Report.

Management

BPC is managed by a strong team of professionals led by Chief Executive Officer, Mr. Ranjan Lohar. There were 297 employees, 271 male and 26 female, at the end of the FY 2068-69. The Company faced an employee turnover of about 5%. BPC is making continuous effort and taking appropriate initiatives towards retaining qualified and competent employees.

Health, Safety and Environment

BPC has been certified with ISO 9001: 2008 (Quality) and ISO 14001: 2004 (Environment) Management Systems. Regular internal and external audits on management systems were carried out. The company was last recertified in April 2011 for both Quality as well as Environment Management Systems.

BPC is also seeking to get certified for OHSAS 18001. We believe that OHSAS will enable the organization to manage occupational health and safety issues as an integrated part of its overall business operations by taking the organizational structure, planning activities, responsibilities, practices, procedures and resources into account for development. It will also increase safety consciousness and efficiency in the company and enhance corporate value. No serious injuries have been reported during the year.

The business units have carried out the business activities in an environmental friendly manner. BPC celebrated the World Environment Day, 2012 in association with the locals for enhancing awareness on environment.

Industrial Associations and External Relations

BPC is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and Independent Power Producers' Association, Nepal (IPPAN). BPC is also associated with international agencies such as IFC, World Bank, Ministry of Foreign Affairs (Norway), Norfund, InfraCo Asia, etc at different levels in development of projects.

HR Development

Good relationship between management and employees has been maintained. Trainings were imparted for capacity building and professional growth of the employees as well as to meet future requirement of the Company.

Risk Management

The risk management is an integral part of BPC's business operations. Enterprise Risk Management has been implemented to identify, assess, plan, mitigate and monitoring of the risk associated with the activities being carried out by the different business units across the Company.

Internal Control

Periodic internal and external audits are carried out to continuously evaluate and improve the management systems.

In addition, internal financial audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company's assets, financial and accounting procedures. The recommendations of the internal auditor and the decisions of the Audit Committee are implemented effectively. Four quarterly audits were carried out during the year by J.B. Rajbhandary & DiBins.

Statutory Audit

M/s PP Pradhan & Co. audited BPC's books of accounts in the FY 2068-69. The auditor has issued an unqualified report on financial statement of the Company.

Shareholders' Suggestions

Suggestions from Shareholders are taken in the right earnest and all possible efforts are put in to implement them, on their merits.

Transactions with Subsidiaries

BPC conducts transactions with subsidiaries at arm's length, as per the best industry practices. All major transactions, which BPC undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2068-69.

Business Environment and Investment Climate

It is a well accepted fact that hydropower is the key to economic development of the country. However, because of the prolonged unstable political environment, the development of hydropower sector is far below expectation and the country is still a long way from a position where it is able to attract and retain adequate investments for the sector.

The investment climate is deteriorating and foreign investors are either pulling out or waiting for an investment friendly environment with a more stable political scenario.

The sector backbone i.e. transmission network is still lagging the generation capacity addition plan, which in itself is developing at a fraction of the requirement. The grant funded projects are also not progressing as per the plan due to right of way (ROW) issues.

Further, the overwhelming demands of locals and high financing costs is a deterrent to the development of even the small projects being developed by domestic developers. The multi-window approval requirement and red tapism further adds to the slow development of the sector.

While there has been consideration in revision of posted tariff for projects below 25 MW, the tariff setting mechanism is yet to be prudent to encourage accelerated development of generation projects.

The initiative of the present government to encourage completion of the under construction project is noteworthy, and it is expected that the 15 projects currently under various stages

of construction will soon achieve commercial operation.

More such initiatives for encouraging development of generation projects and the state utility's prime focus on accelerated development of transmission line projects is desirable to speed up the sector development.

The Year Ahead

Andhikhola Upgrading Project will be concluded and will resume commercial operation at 9.4 MW capacity. PPA and financial closures for Kabeli A and Nyadi projects are expected to be achieved, followed by commencement of full-fledged construction. The joint venture company, Gurans Energy Limited, will co-invest in projects under development such as Lower Manang Marshyangdi, Nyadi, Kabeli A, etc.

The corporate green building will be completed. Phase-wise shifting of the office and dismantling of the old building will also be concluded, which is already in progress. BPC also expects to be an OHSAS 18001 certified company within this year as the internal preparations have already been completed.

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 directly or indirectly towards the betterment of the company in the FY 2069-70.

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 in us.

Thanking you.
On behalf of the Board of directors



Padma Jyoti
Chairman
6th January 2013

CEOs' Perspective

Fiscal year 2012 was another year of significant growth for BPC. Despite uncertain economic and political environment we delivered satisfactory results from our operating assets both operated directly as well as through subsidiaries and associates. We generated revenues of NPR 605.1 million and net profit of NPR 483.5 million. Our EPS stands at NPR 47.6 and our gross operating margin recorded at 59.3%.

We continued to return cash to shareholders by NPR 254 million as dividend payments and increased net worth per share to NPR 267. We have invested about NPR 924 million in projects that we are currently undertaking and have leveraged ourselves as per the best industry practices.

Our main focus in 2012 was to maximize generation and sale and take the projects under development to construction. While we managed to achieve our targets on generation and sales, the projects did not progress as targeted. The reasons behind it being the, political impasse and multi window bureaucratic processes.

Industry expertise is our key differentiator. We have specialized engineering and consulting team delivering quality engineering solutions to national and international projects. Our operation and maintenance team achieved difficult targets and helped our subsidiaries perform better. Further, we availed advisory services from leading international consulting firms to strengthen project plans. The investment decisions backed by sound engineering solutions will deliver value to our shareowners.

Our Engineering and Consulting business performed consistently and are executing projects in Kenya and Pakistan and several projects in Nepal, while supporting our own projects under development. Our strategy to acquire best practices in engineering & consulting resulted in partnership with international consultants and improve our service delivery. We made investments in technology enhancement initiatives and plan to stay focused on continual enhancement in industry skills and upgrading our operating capability.

We are expanding our capacity in manufacturing and repair of electromechanical equipment and adding generator winding workshop, which be operational in early 2013. This will support the hydropower industry in Nepal in maximizing their plant availability and generation at the same time reducing dependence on OEMs.

Our subsidiaries recorded improved operational and financial results, strengthening itself to poise for yielding dividends to its shareowners, which will benefit BPC too. Himal Power paid up its debts and paid better dividends in 2012.

Our strategy to execute multiple projects in our endeavor to add generation capacity in energy deficit Nepal encouraged us to enter into strategic partnership with development agencies and we partnered with InfraCo Asia to establish Gurans Energy for co-investment in projects under development and further undertake bigger projects.

BPC is committed to environment protection and considers it an important factor while undertaking business activities. We are doing extensive plantation in the project areas and have adopted bioengineering solutions for slope stabilization.

In addition to our commitment to shareowners, clients and our people, we also focus on communities where we do business and have made considerable investment in various programs and CSR activities aimed at skill development, healthcare and social upliftment of the local community. Our social initiatives are part of our focused approach to help drive inclusive growth in Nepal.

BPC has always been value driven company and follow our Value Framework in all our business

transaction. We realize that such ethical business principles do not go well with the ongoing transition scenario but we believe that it shall pay back in the long run.

Safety remained our priority and we have revisited our action plans and redefined them. We are in the process of implementing OSHAS which will form an integral part of our work procedures. We believe that good working surroundings help improve productivity and we are improving upon the office infrastructure in that direction. Our new corporate building is nearing completion which will be the first green building of such scale in the country.

Team BPC, once again, demonstrated operational excellence by exceeding key performance targets and previous year achievements. Nevertheless, we are not satisfied with these achievements and have identified areas where we need to focus in the coming year. We expect better results in the year 2013 as matter of our commitment to continual improvement.

Our achievements in 2012 provide a robust platform for better performance in 2013. The Andhikhola plant is under long shutdown for upgrade and the project is under execution in full swing. The Andhikhola plant shutdown will have its effect on the 2013 cash flow, but will add capacity and improve cash flows on its commercial operation in May 2013. The year will see start of construction of two other projects which are fully prepared. Looking forward, we will continue to stay focused on capacity addition and operational excellence. We will draw on shared values and commitment to our shareowners, customers, partners, our people and community where we do business.

We believe that our continued efforts in these areas will deliver sustainable returns to our shareowners and growth in 2013 and beyond.


Ranjan Lohar

Chief Executive Officer



Corporate Value Framework of BPC has embraced governance philosophy -- "Governance practices beyond regulatory requirements. The framework specifies core values, business principles, code of conducts and ethics. Our framework is based on the best corporate principles embodied in the OECD Principles, existing Nepalese policies and BPC Memorandum and Articles of Association.

BPC's corporate culture is founded on its legacy, on the conscious efforts of the board and management to adopt and promote good governance, and on awareness that the long-term interests of the company are best served by maintaining a strong commitment to honest and transparent business practices. We thrive to maintain the highest levels of transparency, accountability and equity in its operations and in all its interactions with its stakeholders, including its customers, shareholders, and employees as well as government, statutory authorities, regulators, lenders and the wider community. The company believes that all its operations and actions must serve its underlying goal of enhancing the overall enterprise value and safeguarding trust of the shareholders. In addition to a high degree of compliance with corporate governance rules and regulations, we are also making a conscious effort to make voluntary disclosures directed at providing shareholders and investors with appropriate data and information so that they can properly evaluate their investments and make informed decisions, rather than disclosures designed merely to meet the minimum statutory or regulatory requirements". We believe good corporate governance will help address issues if any, timely before it becomes a major problem.

Shares and Shareholders' Relation

SHARE OWNERSHIP STRUCTURE

The share ownership structure of the Company is as below.

NAME OF SHAREHOLDER	%
Shangri-La Energy Limited	68.95
General public / individuals	10.00
Government of Nepal	9.09
IKN Nepal AS	6.05
United Mission to Nepal	2.79
Employees	2.00
Nepal Electricity Authority	1.06
Nepal Industrial Development Corporation	0.06
Total	100

SHAREHOLDERS' MEETING AND COMMUNICATION

Shareholders are informed about the business performance and progress of the company through letters, e news, national daily newspapers and the Company website.

BPC encourages and welcomes suggestions from Shareholders. The suggestions of the Shareholders are reviewed, analysed and implemented on merits in the business interest of the Company.

Board of Directors and Board Committees

BOARD COMPOSITION

Representation of Shareholders in the Board based on the shareholding structure is as follows.

NAME	POSITION	REPRESENTING	SINCE
Mr. Padma Jyoti	Chairman	SEL	29 Jan 2003
Mr. Pradeep Kumar Shrestha	Director	SEL	29 Jan 2003
Mr. Bijay Bahadur Shrestha	Director	SEL	3 May 2007
Mr. Bijaya Krishna Shrestha	Director	SEL	8 Sep 2011
Mr. Ratna Sansar Shrestha, FCA	Director	IKN	29 Jan 2003
Mr. Anup Kumar Upadhyay	Director	GoN	17 May 2005
Mr. Rajib Rajbhandari	Alt. Director	SEL	4 Jun 2008
Mr. Om Prakash Shrestha	Alt. Director	SEL	8 Sep 2011
Mr. Sanjib Rajbhandari	Alt. Director	SEL	8 Sep 2011

Note:

- Mr. Ganesh Lal Shrestha represented SEL as Director from 22nd September 2010 to 8 September 2011. SEL nominated Mr. Bijaya Krishna Shrestha in place of Mr. Ganesh Lal Shrestha from 19th October 2011.
- SEL nominated Mr. Sanjib Rajbhandari and Mr. Om Prakash Shrestha as Alternative Director from 19th October 11.
- Mr. Nirmal Pradhan, Director representing to public shareholder resigned as Director and his resignation was accepted by Board on 17th Feb. 2012.

DIVIDEND DISTRIBUTION

On approval by the Annual General Meeting and consent of the Ministry of Finance as per the Section 182 (2) of the Company Act, 2063, the dividends are distributed to the legal share owners.

The dividend payout is made directly to the institutional shareholders. Payment of the dividends to the public shareholders is arranged through the Share Registrar of the Company NMB Capital Ltd.

The dividends of the past fiscal years have already been paid to the Shareholders except for few public shareholders who have not presented necessary documentations for dividend collection.

The Share Registrar and Head-Corporate Affairs of the Company serve as contact point for shareholder's queries or clarifications.

Functions 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 company is managed by its executives under the direction and leadership of the CEO and oversight of the board. 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 ensure compliance with the code of conducts and ethics;
- To ensure compliance with legal requirements;
- To review, monitor and approve major financial and corporate strategies;
- To review, monitor and approve financial results and new business investments;
- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To ensure an adequate framework for risk assessment and management;
- To provide counsel for development of top management team;
- To delegate appropriate authority to the top management so that it can manage business operations effectively and efficiently



Board Meetings

Board meetings are held at regular intervals according to a predetermined annual meeting schedule. The agenda and other relevant documents and information needed are circulated to the directors ahead of the meetings to ensure that the directors prepare themselves for the Board meetings and participate actively before arriving at resolutions.

Fourteen Board meetings were held in the FY 2068-69. The longest gap between meetings was 60 days and the shortest was 3 days. The attendance for the Board meetings was as follows:

Board Member	Meetings held	Meetings attended
Mr. Padma Jyoti	14	14
Mr. Pradeep Kumar Shrestha	14	11
Mr. Bijaya Krishna Shrestha	12	9
Mr. Bijay Bahadur Shrestha	14	13
Mr. Ratna Sansar Shrestha, FCA	14	10
Mr. Anup Kumar Upadhyay	14	11
Mr. Rajib Rajbhandari	14	4
Mr. Sanjib Rajbhandari	12	2
Mr. Om Prakash Shrestha	12	1

Mr. Ganesh Lal Shrestha attended two Board meetings in FY 2068-69 during his tenure as BPC Board Director.

Mr. Rajib Rajbhandari, Mr. Sanjib Rajbhandari and Mr. Om Prakash Shrestha attended Board meetings, 4, 2 and 1 time respectively in absence of principal directors representing SEL.

Mr. Murali Prasad Sharma served as Company Secretary during the reporting period.

Fees and Allowances of Directors

The structure of the meeting fee for both the Board and Board Committee meetings and allowance of the Chairman/Directors are not changed as previous year which is as follows:

1. The Board Meeting fee and Board Committee Meeting fee for all the Members and Chairman is NPR 3000 per meeting.
2. Transportation and Telephone Allowance for Board Members is NPR 3500 per month.
3. Transportation and Telephone Allowance for the Board Chairman is NPR 5000 per month.

Audit Committee

A three-member Audit Committee was set up on 29 November 2005 (14 Mangsir 2062).

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

The Audit Committee members have been providing substantial input in matters related to finance, accounts and the Companies Act. In addition, it supervises and obtains inputs from the internal auditor of the Company on matters relating to accounts and internal controls. CEO, Head-Finance, and Head-Corporate are permanent invitees of the Audit Committee meetings. Manager-Legal acts as secretary of the Audit Committee.

As prescribed by the Section 165 of the Companies Act, 2063, function of the committee is underlined below:

1. Review financial statements and internal control and risk management systems;
2. Review internal and external audit reports;
3. Approve TOR for the appointment of an internal auditor following the guidelines of the code of conduct, standards and directives issued by the Institute of Chartered Accountants of Nepal;
4. Recommend the name of an auditor, remuneration and other terms and conditions of appointment to the 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.

Audit Committee meetings were held eight times during the fiscal year. The attendance of the Committee members was as follows:

Name	Position	Meetings held	Meetings attended
Mr. Ratna Sansar Shrestha, FCA	Chairman	8	7
Mr. Pradeep Kumar Shrestha	Member	8	6
Mr. Bijay Bahadur Shrestha	Member	8	8

Budget Committee

The Budget Committee was set up on 20 March 2006 (7 Chaitra 2064). The committee consists of two directors of the Company. Mr. Padma Jyoti chairs the Budget Committee and Mr. Bijaya Krishna Shrestha is member of the Budget Committee.

CEO and Vice Presidents attend the Budget Committee meetings. Head of Finance acts as secretary of the Budget Committee.

The functions of the Budget Committee are:

1. Scrutinize the budget proposed by the management; and
2. Recommend to the board for approval of the budget.

The Committee members met twice during the reporting period. The attendance was as follows:

Name	Position	Meetings attended
Mr. Padma Jyoti	Chairman	2
Mr. Bijaya Krishna Shrestha	Member	2

HR Committee

The HR Committee was set up on 27 April 2012 (15 Baisakh 2069). The committee consists of five members of the Company. Mr. Ratna Sansar Shrestha, FCA chairs the HR Committee and Mr. Bijay Bahadur Shrestha, Mr. Sanjib Rajbhandari, Mr. Om Prakash Shrestha, and Mr. Ranjan Lohar are members of the HR Committee. Manager-Legal acts as secretary of the HR Committee.

The functions of the HR Committee are:

1. To review and recommend the Company's Personal Manual and Organisational structure to the Board;
2. To advise the management and Board on remuneration and compensation packages, provide counsel and guidance the management in negotiations with the Employees' Union.

The HR Committee Meeting was held one time during this Fiscal Year. The attendance was as follows:

Name	Position	Meetings held	Meetings attended
Mr. Ratna Sansar Shrestha, FCA	Chairperson	1	1
Mr. Bijay Bahadur Shrestha	Member	1	1
Mr. Sanjib Rajbhandari	Member	1	0
Mr. Om Prakash Shrestha	Member	1	1
Mr. Ranjan Lohar	Member	1	1

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, the Company Registrar's Office, the Large Tax Payers' Office and the Department of Electricity Development timely by the Company.

Risk Management

BPC has implemented the Enterprise Risk Management System and is managing the risks through the process of identification, assessment, mitigation plan, and monitoring the risks associated with the activities being carried out by the different business units across the Company.

A Risk Management Committee has been constituted comprising all VPs and SBU Heads under the chair of CEO. The committee coordinates 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), 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. Continuous efforts are made to retain trained and experienced human resources and reduce employee-turnover.

Internal Control and Accountability

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's internal audit functions are being carried out through independent professional 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 GAAP, other applicable 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 management team. BPC has a strong management team under the leadership of Mr. Ranjan Lohar, the CEO.

The management performed satisfactorily during the FY 2068-69 as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors.

Code of Conduct and Ethics

We have a well-defined code of conduct and ethics, which applies to everyone in BPC, regardless of his/her individual role or position. It can be viewed at the Company website and are regularly referred to by everyone.

Shareholding of Board of Directors in BPC:

S.N.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	None
2	Mr. Pradeep Kumar Shrestha	Member	None
3	Mr. Bijay Bahadur Shrestha	Member	4477
4.	Mr. Bijaya Krishna Shrestha	Member	121
5	Mr. Ratna Sansar Shrestha, FCA	Member	605
6	Mr. Anup Kumar Upadhaya	Member	None
7	Mr. Rajib Rajbhandari	Alt. Member	41914
8	Mr. Om Prakash Shrestha	Alt. Member	None
9	Mr. Sanjib Rajbhandari	Alt. Member	None

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 decided by the Board. The current representation is as below:

COMPANY	BPC SHAREHOLDING IN %	NAME	POSITION IN BOARD
BPC Services Ltd.	100%	Mr. Ranjan Lohar Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha Mr. Pratik Man Singh Pradhan	Chairman Member Member Alt. Member
Himal Power Limited	16.88%	Mr. Rajib Rajbhandari Mr. Bijaya Krishna Shrestha	Member Alt. Member
Hydro Consult Pvt. Ltd.	80%	Mr. Ranjan Lohar Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha Mr. Ratna Shakya	Chairman Member Member Alt. Member
Hydro Lab Pvt. Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Member
Jumdi Hydropower Pvt. Ltd.	1.61%	Mr. Radheshyam Shrestha	Member
Kabeli Energy Ltd.	54%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Rajib Rajbhandari	Chairman Member Member
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Bijay Bahadur Shrestha Mr. Ranjan Lohar	Chairman Member Member
Nepal Hydro & Electric Pvt. Ltd.	51.3%	Mr. Bijay Bahadur Shrestha Mr. Ranjan Lohar	Chairman Member
Nyadi Hydro-Power Limited	97.2%	Mr. Ganesh Lal Shrestha Mr. Padma Jyoti Mr. Bijaya Krishna Shrestha	Chairman Member Member
Gurans Energy Limited	40%	Mr. Rajib Rajbhandari Mr. Ranjan Lohar	Chairman Director

TOP MANAGEMENT AND SENIOR EXECUTIVES

The overall company management is led by the CEO and functionally led by the vice-presidents. The strategic business and functional units are headed by senior executives/managers/project managers. The names and designations of Sr. Executives are as below.

S. NO.	NAME	DESIGNATION
1	Mr. Ranjan Lohar	CEO
2	Mr. Pratik Man Singh Pradhan	VP – Business Development & Projects
3	Mr. Radheshyam Shrestha	VP – Finance
4	Mr. Ratna Shakya	Head- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Nirmal Acharya	Project Development Manager
7	Mr. Bishnu Prasad Shrestha	Sr. Manager – Corporate Affairs
8	Mr. Vishnu Bahadur Singh	Project Manager, AKHUP
9	Ms. Rita Chitrakar	Sr. Program Manager, Operations
10	Mr. Guru Adhikari	Sr. Resident Manager, AKHUP

Brief Resume of the Board Members and Disclosures



Padma Jyoti, 66

CHAIRMAN

Mr. Jyoti has graduated in Mechanical Engineering from IIT Kanpur, India and a MBA graduate from Sloan School of Management, Massachusetts Institute of Technology, USA. Mr. Jyoti is a leading industrialist who has been managing various industries in Nepal for the last 41 years.

- Chairman, Bhajuratna & Co. Pvt. Ltd.
- Chairman, Bhajuratna Eng. & Sales Ltd.
- Chairman, Himal & Co. Pvt. Ltd.
- Chairman, Himal Iron Steel Pvt. Ltd.
- Chairman, Himal Oxygen Pvt. Ltd.
- Chairman, Himal Wires Pvt. Ltd.
- Chairman, Jyoti & Co. Pvt. Ltd.
- Chairman, Jyoti Yarns Processing Pvt. Ltd.
- Chairman, Syakar Company Ltd.
- Chairman, Syamukapu & Co. Pvt. Ltd.
- Director, Sagarmatha Insurance Co. Ltd.
- Director, Shangri-La Energy Limited
- President, National Business Initiative



Pradeep Kumar Shrestha, 52

MEMBER

Mr. Shrestha is a MBA graduate from Tribhuvan University, Kathmandu, Nepal. Mr. Shrestha is actively involved in management of several industries and commerce sector for more than 28 years.

- Vice President-SAARC Chamber
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd.
- Managing Director, Panchakanaya Group of Industries
- Director, Shangri-La Energy Limited
- Chairman, Scenic Developers Pvt. Ltd.
- Chairman, Dynamic Builders Pvt. Ltd.
- Chair Person International Peace Conference Committee, Nepal Rotary
- Honorary Consul, the Republic of South Africa
- Member, Academic Assembly-NAST



Bijay Bahadur Shrestha, 57

MEMBER

Mr. Shrestha a MBA graduate from the Faculty of Management Studies, University of Delhi. Mr. Shrestha has 28 years of experience in the export sector and more than 13 years of experience in the capital market, banking, financial and insurance sectors.

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



Bijaya Krishna Shrestha, 64

ALTERNATE MEMBER

Mr. Shrestha is an Electrical engineer and MBA graduate from Southern Illinois University, USA. Mr. Shrestha has more than 33 years of experience in the banking, insurance, computer, and electronics sectors.

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



Ratna Sansar Shrestha, FCA, 60

MEMBER

Mr. Shrestha graduated in CPA from Massachusetts, USA and also holds degree in Master of Commerce and Bachelor of Law. Mr. Shrestha is a fellow of the Institute of Chartered Accountants of Nepal and a corporate lawyer accredited by the Nepal Bar Council. He is actively involved in the clean energy sector for over two decades.



Anup Kumar Upadhyay, 47

MEMBER

Mr. Upadhyay is a M.Sc. graduate in Electrical Network and Systems from Georgian Technical University, Republic of Georgia. Mr. Upadhyay is the Joint Secretary at the Ministry of Energy and has more than 20 years of experience in the power sector of Nepal.

- Mr. Anup Kumar Upadhyay is the Joint Secretary at the Ministry of Energy, GoN.



Rajib Rajbhandari, 55

ALTERNATE MEMBER

Mr. Rajbhandari holds B. Com. (Honours) from Bombay University, India. Mr. Rajbhandari has more than 23 years of experience in industry, commerce and financial sectors.

- Director, Ace Development Bank Limited
- Director, Himal Media Pvt. Ltd.
- Director, Hits Nepal Pvt. Ltd.
- Director, Malpi International School
- Director, Mercantile Investment Pvt. Ltd.
- Director, Purnori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- Director, Serving Minds Pvt. Ltd
- Director, Shangri-La Energy Limited



Om Prakash Shrestha, 53

ALTERNATE MEMBER

Mr. Shrestha holds Bachelors in Civil Engineering from Punjab University, Chandigarh. Mr. Shrestha has 26 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co
- Director, Interworld Trading



Sanjib Rajbhandari, 53

ALTERNATE MEMBER

Mr. Sanjib Raj Bhandari is a graduate from Mumbai University. Mr. Bhandari has 25 years experience in IT sector. During his career, he has founded over half a dozen IT and communication companies.

- Chairman, Mercantile Office Systems P Ltd.
- Chairman, Mercantile Communications P Ltd.
- Director, Hits Nepal P Ltd.
- Chairman, Mnepal P Ltd.
- Director, ServingMinds P Ltd.
- Chairman, Flexitem P Ltd.
- Chairman, Titan Nepal P Ltd.

Management Discussion & Analysis

Business Environment

It is a well-accepted fact that hydropower is the key to economic development of the country. However, because of the prolonged unstable political environment, the development of hydropower sector is far below expectation and the country is still a long way from a position where it is able to attract and retain adequate investments for the sector.

Despite having immense potential for the development of hydropower, Nepal has been facing acute shortages of electricity supply during the winter which has led the only utility company Nepal Electricity Authority (NEA) to resort to load-shedding to manage the demand supply balance. To battle the discomfort due to load-shedding, large percentage of the urban population has resorted to alternative but more expensive means of electric supply. Due to irregular supply of electricity the industries as well have been suffering the production.

Despite the urgent need for greater electricity supply and developing potential hydropower available within the country, the development of hydropower has been facing multi-thronged hurdles – among which investment, Government rules and approvals, local issues and power evacuation are the major.

Due to the frequent changes in the leadership of the Government, the hydropower investment climate has been deteriorating. The government has not been in a position to provide security over the investment resulting in foreign investors either to hold the development or to pull out from investment until favorable environment with a more stable political scenario begins.

Most of the Independent Power Producers (IPPs) have been facing significant delays in approvals of document submitted to the concerned government authorities causing loss of valuable license period, increase in project cost and frustrations. Despite government approach to cater services to hydropower developers through a one-window

policy, the reality and experience of developers have been a painful and opposite one. The government's sudden policy to hike the survey license fees to attract only the serious developers has been felt by many as a threat in the development of hydropower and was not considered as a welcoming step. Such changes in government rules pose a high risk to long gestation period capital intensive investment.

The hindrance to hydropower development by the local communities absurd demands that was initiated during the days of insurgency can still be seen prevalent in some communities. Though some local communities are more welcoming than the others, the so-called hydropower activists and NGO's are putting undue demands on the private developers thus making the project difficult to sustain in the long run. With high demands from the locals at the very onset of the project, some of the project developers are shying away from the investments as the project cannot afford to meet such demands. Though there is continued commitment to hydropower development at the central government level, the same kind of commitment is not reflected by the local political parties.

One of the key challenges in the development of the hydropower sector in the country has been due to the lack of sufficient infrastructure for power evacuation. There has been also mismatch between the licenses provided for hydropower development and the means of power evacuation, which has led to conflicts between the developer and utility company. To cater to all the PPA's done so far, NEA has to build about more than double of the transmission line infrastructure which has been built within the country, in the next 5 years. The major problem in building transmission lines is the local issues related to land acquisition and its environmental impact. Due to various complexities associated with the expansion of transmission lines, the transmission network is still lagging the generation capacity addition plan,

which in itself is developing at a fraction of the requirement. Even the grant funded projects are also not progressing as per the plan due to right of way (ROW) issues.

The risk associated with power evacuation is therefore quite high. The distribution network in the urban areas is fairly well developed for the current load. But a massive reinforcement will be required to enhance the distribution network for the future. For all these transmission and distribution infrastructure a major investment from the state will be required, which in the current stage the state is not able to invest.

Realizing the various problems and issues associated with the hydropower development, the government took the initiative to facilitate the under-construction projects so that the developers are encouraged to complete the projects at an accelerated pace. The government decided to re-finance the project at lower interest rate and increase the posted tariff for projects below 25 MW. With the support, it is expected that the 15 projects currently under various stages of construction will soon achieve commercial operation. Also, the electricity tariff which had not been revised for a long time was finally concluded, which has provided some relief to the project developers.

Overall, the development of hydropower looks promising despite financial, social and transmission challenges which the government is addressing gradually.

Business Operations

All in all, the year was better for BPC in financial aspect. BPC concluded its year with net operating revenue of NPR 605 million which is 5% more than previous year. The gross operating profit also increased by 5 % to NPR 359 million. Dividend from Himal Power Limited (Khimti-60 MW) increased by 128 % to NPR 375 million and it contributed gracefully in total revenue and net profit of the

organization. The revenue growth was followed by growth in distribution business and generation business and recorded increment in net revenue by 14 % to NPR 85 million and by 6 % to NPR 433 million respectively. Whereas, Management and Technical support business has only been able to generate revenue of NPR 6 million which is 39% less than previous year.

Operating expenses have increased by 6% during the FY 2068-69. Provision of NPR 42 million has been created for Kirne HEP which has increased the Administrative expenses by 53%.

Generation business, Distribution business and Management & Tech Service contributed 71%, 14% and, 13% to operating revenue respectively. Dividend income rose by 128% to NPR 375 million from NPR 164 million last year. The net income increased by 47 % to NPR 484 million. Provision for staff bonus amounting to NPR 11 million has been made which is 17% more than last year.

During the year, BPC will be contributing NPR 44 million on government's revenue as tax and its provision has been made. It is 14% more than last year's contribution.

Total assets of BPC have increased by 22% at the year end, compared to previous year. Total equity stood at NPR 2,710 million, 8% increase over last year. Total fixed assets worth NPR 61 million were added during the year. Investment in shares (unlisted companies) increased by 16%. NPR 101 million to Kabeli and NPR 84 million to Nyadi were invested in Shares & Advance Investment during the fiscal year.

CONSOLIDATED FINANCIAL RESULT

As a group of companies, BPC has established itself as pioneer of hydropower development solution in Nepal. 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 form of joint venture and strategic alliance (equity

based), consolidated financial statements has been prepared in line with the IFRS.

FINANCIAL CONDITION AND LIQUIDITY

Financial position of BPC is sound. In FY 2068-69, Return on Average Capital Employed (ROCE) was 25.2% against 19.5 % in FY 2067-68 with a year-end gearing ratio of 29% which was 11 % in FY 2067-68. Gearing ratio is the ratio of owners fund to creditors fund in organizations' activities. 29% of BPC's activity was funded by credit fund (debt) during the FY 2068-69. Cash dividend amounting to NPR 254 million has been proposed to shareholders in the fiscal year 2068-69.

NET CAPITAL INVESTMENT

Capital investment was NPR1,081 million in FY 2068-69 as compared to NPR 933 million in FY 2067-68. Majority of the capital expenditure through the equity investment was made in pre-construction stage of projects namely: Nyadi (30 MW), Kabeli-A (37.6 MW) and Lower Manang Marshyangdi (140 MW) Hydropwer Project).

MARKET CAPITALIZATION

Nepal's Securities market picked up the improving trend on second half of the fiscal year and concluded gracefully. The end of the year NEPSE index remained at 389.74 points, 7.4% higher than the previous year. The index has reached a maximum value of 432.82 points whereas the minimum value was 298.89 points.

Hydropower sub-indices increased by 14% and closed at 585.7 points. The sub-indices increased to 701.3 points during the year and dipped down to 458.06 points.

The transaction volume on NEPSE witnessed the encouraging growth and summed up to NPR 10.28 billion which was NPR 6.66 billion in FY 2067-68. It was a 54.2% growth on transaction volume in comparison to FY 2067-68. Market Capitalization increased to NPR 368,262 million from 323,484 million of previous year-end (Mid July-2011) figure, a 14% increment.

During the year, 199,745 shares of BPC were traded at an average price of NPR 460 (High- NPR 725, Low- NPR 364). Key figures from securities market for the year are given below:

Particular	Amount (million NPR)
Total Market Capital	368,262
Hydro Power	19,656 (5.34%)
Butwal Power Company	6,639 (34% of HP & 1.8% of TMC)

Contribution towards National Economy

The country has an estimated 83,000 megawatts (MW) of hydroelectric potential, with 43,000 MW having been identified as potentially economically feasible. Currently the country is generating only 652 MW, less than 2.0% of its total potential. In this context, BPC has been operating its two power plants with average about 70% plant factor and contributing about 2.5% of available energy, and 3.02% of total domestic hydro generation in the country. It has been continuously supplying reliable electricity to its customers as well as the national grid. Nepal, at present, has been facing about 14-16 hours of load-shedding during dry season. It shows that there is huge opportunity for the expansion of business in this sector.

The total nos. of consumers electrified by BPC till the end of FY 2068-69 is 39,578 which is about 1.7% of total electricity consumers in the country.

Generation Business

Generation and sale of electricity is the core business of the company and the major source of income.

With a combined generation capacity of 17.1 MW, the generation facilities at Andhikhola and Jhimruk contributed about 3.02% energy to the total annual domestic hydropower generation in the Integrated Nepal Power System. Apart from the wholly owned and operated plants at Andhikhola and Jhimruk, BPC also holds an additional 12.5 equity MW of generation capacity under its portfolio from Khudi and Khimti hydropower plants which are partially owned by the company.

Andhikhola and Jhimruk power plants generated a total of 103.55 GWh energy with an average plant factor of 69.13% during the FY 2068-69, which is 0.04% less than what was achieved during the previous year. The generated energy was supplied to NEA as per the Power Purchase Agreement and as well as to the retail consumers through the

Distribution business unit. Further, 7.2 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during plant outages. Of the total energy available, 76.8% was supplied to NEA, 20.7% was utilized to cater the local consumer demand, and self consumption and T&D losses accounted for the rest. Total supply to NEA was 85.03 GWh and the Distribution business unit consumed 22.9 GWh.

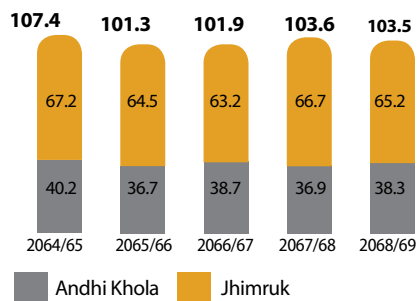
Andhikhola plant generated 38.34 GWh, an increment of 3.9 % over previous year, with a plant factor of 85.83 %. There was a shortfall of 6.3 GWh from the contract energy, which is the result of continuous increase in the retail consumer base and low river discharge during the dry months. A total of 23.67 GWh was supplied to NEA and 18.51 GWh was supplied to local distribution from the total available energy, which also includes import of 5.0 GWh.

Aged equipment in the power plant and fragile 33 kV grid connections were the major challenges on the operation of the plant and maximization of energy generation and sale. Optimum generation was achieved despite breakdown of major equipments, which included failure of stator & field windings of generators, runner, by-pass valve, deflector, buckets of turbine, etc.

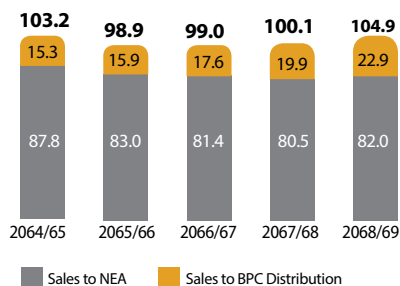
Jhimruk plant generated 65.20 GWh with plant factor of 62.03 %, a decrease of 2.19% compared to previous year. The main reasons for lower generation were extended dry period and reduced dispatch instruction for excess energy. A total of 61.4 GWh was supplied from Jhimruk Plant to NEA, which is 6.4 GWh in excess of the contract energy and 4.4 GWh was supplied to local distribution from the total available energy, which also includes an import of 2.2 GWh along with energy generated. Of the total supply to NEA, 3.04 GWh of excess energy was not dispatched by NEA.

The high silt content in the Jhimruk River during monsoon 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 planned schedule. Various mitigation works under JDMP was carried out to optimize the use of water for irrigation and increase generation.

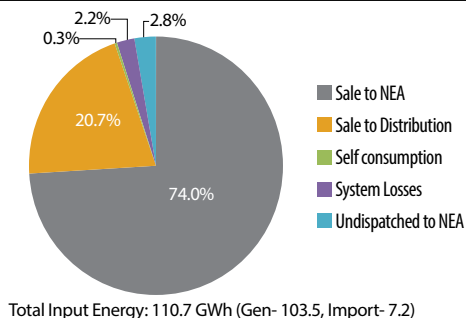
GENERATION IN GWh



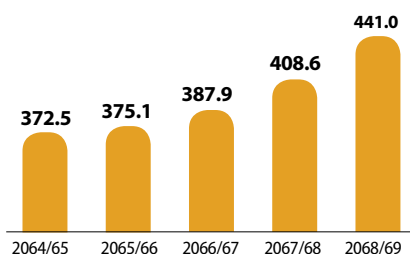
SALES IN GWh



ENERGY UTILIZATION



REVENUE FROM BULK SUPPLY TO NEA



River training works to protect the project area and farming land was completed as per the plan.

During FY 2069-70, it is planned to generate 32.46 GWh from Andhikhola plant assuming that the plant will be under shutdown for five months for upgrading purpose. Similarly, it is planned to generate 74.5 GWh from Jhimruk plant, assuming that NEA will take the additional energy throughout the year. Also, the company is in dialogue with NEA for off-take of additional excess energy. The generation plan is based on average river discharge of both plants and estimated outages.

Distribution Business

The Distribution Business unit purchased a total of 22.88 GWh to supply to retail consumers, which is about 15% more compared to previous year. 19.06 GWh energy was sold to the customers and 0.07 GWh was consumed in the staff quarters and distribution offices. The T&D losses stood at 16.4% which is significantly lower compared to the national average of 26.43% (as per NEA's Annual Report).

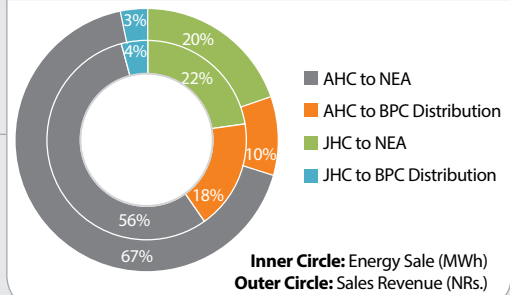
Out of 19.06 GWh sold to retail customers, 15.74 GWh (82.6%) was sold to metered consumers, 1.03 GWh (5.4%) to unmetered consumers, and 2.29 GWh (12%) to industrial consumers. Compared to last year's energy consumption pattern, there has been a marked increase in sale of energy to metered consumers and reduction in energy sale to cutouts.

Total revenue for the FY 2068-69 was NPR 85.9 million, an increase of 14.24% compared to the previous year. With a collection efficiency of 101%, total revenue collection was NPR 86.65 million. Of the total revenue collected, NPR 12.5 million (14%) was collected from industrial consumers, NPR 71.45 million (83%) from metered consumers, and NPR 2.7 million (3%) from cut-out consumers. Looking at the past five years' historical data, it can be observed that the sales revenue has steadily increased at a CAGR of 14.9%.

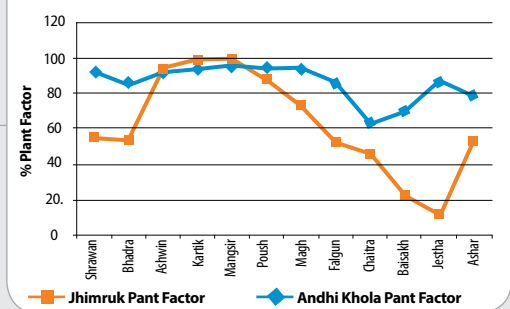
Loss Management

The total energy loss during the year was 3.74 GWh, which accounts for 16.4% of the total purchase. The decrease in loss in the system as compared to last year was mainly due to

ENERGY SALE VS. CORRESPONDING REVENUES



PLANT FACTOR FY 2068-69



conversion of 1 kV to 11 kV system and a more accurate meter reading in the system, by undertaking monthly meter reading in most regions where three-monthly meter reading used to be carried out. Loss minimization has been a focus of the management particularly for the past five years and firm efforts have been made to identify system loss and minimize it. Feeder meters are being installed for monitoring of losses from this year.

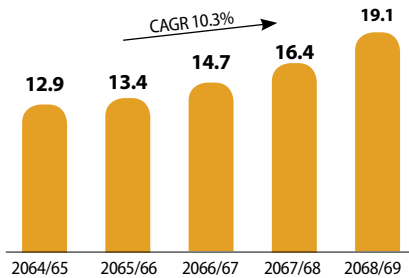
Business Volume

By the end of the FY 2068-69, total of 39,578 customers have been electrified in the four districts, marking an increase of 4% compared to the previous year. A total of 2009 domestic consumers and 54 industrial consumers were newly connected. There were also 434 consumer disconnections from the system resulting in net addition of 1630 consumers during the fiscal year. As a part of our continuous effort to reduce revenue loss, a total of 648 cut-out consumers were converted into metered category.

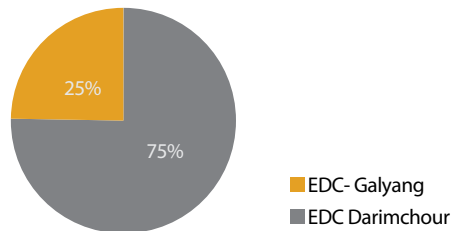
The required system expansion for consumer addition was made possible through installation



RETAIL SALES (GWH)

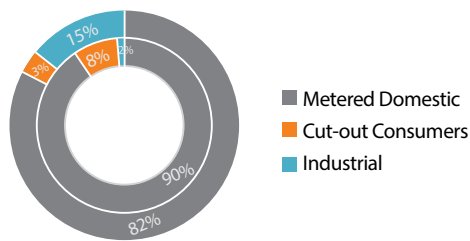


RETAIL SALES REVENUE



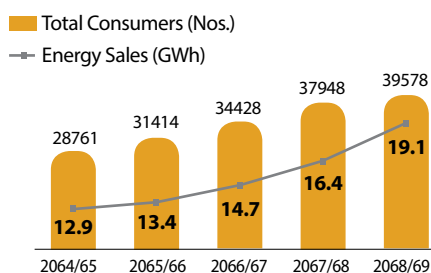
Total Revenue: NPR 85.9 million

CONSUMER VS. REVENUE MIX



Inner Circle: Consumer Nos.
Outer Circle: Revenue in million NRs.

RETAIL SALES & CONSUMER GROWTH



of thirteen new transformers of 11 kV & 33 kV capacity, increasing the installed capacity from 7,600 kVA to 8,190 kVA. Also, additional network constructed during the year was 10 ckt-km of 33 kV, 5.5 ckt-km of 11kV and 145 ckt-km of 400 V.

The average service availability index for the FY 2068-69 was 95% which is in line with what was achieved during the previous year. Network expansion in rural areas had resulted in higher fault occurrences which have resulted in increased duration required for the system restoration.

Customer Relationship

Distribution Business is committed towards its customers for delivering quality service. Hence, feedback from customers are collected on a regular basis and grievances are appeased as per commitment. During the year, average response time per complain was contained at 17.45 hours.

In addition, two more User Organizations (UOs) were formed in Darimchour, taking the count to 28. However, in Galyang, five UOs merged taking the count to 81 UOs in the region. Hence, the total UOs at the end of FY 2068-69 stands at 109.

Future Prospects

A five year expansion plan has been prepared after completion of REEP project, jointly funded by Ministry of Foreign Affairs and BPC. A proposal will be prepared in FY 2069-70 to seek grant from the donor agency for meeting the five year target. All the remaining construction & upgrading activities that were delayed during the past year due to technical and social problems are rescheduled to be completed within the project period.

As a part of network expansion, additional 2,419 new consumers are planned in FY 2069-70 by construction of 25 km of 33 kV line, 158 km of low voltage line and addition of 12 nos. of 11kV & 33 kV transformers.

3 more nos. of UOs are targeted to be added during FY 2069-70 which will result in a total of 112 UOs under operation within the system.



Project Development

The Andhikhola project is being upgraded to 9.4 MW capacity, and is under construction after financial closure with International Finance Corporation and Mega Bank Nepal Limited.

Contract agreement has been made with M/S Asia-Pacific-Power –Tech Co. Ltd for design, manufacture, supply, delivery, installation, testing, and commissioning of electromechanical works; with M/S Himal Hydro and General Construction Ltd for civil construction; with M/S Nepal Hydro and Electric Limited for hydro-mechanical works and with M/S Hydro consult Pvt. Ltd. for detail design, verification, approval and project completion report.

Upgrading of 33 kV line from Galyang to Syangja Bazaar has been completed. 90% of HM fabrication work has been completed. About 90% work of raising weir height is completed. Overall progress of civil work is about 15% and overall progress of hydro-mechanical work is at about 40%. Excavation for construction of new

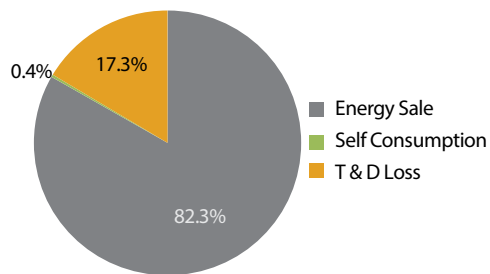
settling basin is completed at the level of 631.5m. The construction works are in full swing and the commencement of commercial operation of the upgraded plant is expected in April 2013. With the commissioning of the project, additional 26 GWh will be added to the INPS annually.

The Kabeli A project (37.6 MW) is in advanced stage of development. Once operational, it will be able to generate 201 GWh of energy annually. The updated feasibility study report (UFSR) has been approved by the Department of Electricity Development (DoED). The Engineering Consultant has completed preparation of tender documents and technical specification and has carried out the Detail Design of the project structures. Foreign Consultants, M/S Hydro Tasmania Consulting India Ltd. has reviewed the UFSR and Mott Macdonald Limited has been engaged for the review of detail design and tender documents. Geotechnical investigation at site, hydraulic model testing of headworks and review of technical aspects of the project by Panel of Experts (POEs) have been carried out. The project in cooperation with local community has already opened motorable track to connect the headworks and the powerhouse sites with Mechi Highway.

The total cost of the project, including financing costs and IDC, is estimated to be about USD 97 million. The project will be debt financed by IDA fund from the World Bank, IFC and domestic financial institutions. Negotiation for finalization of terms of the IDA fund is ongoing with GoN. For additional financing, discussion with IFC and local bank is ongoing. WB and IFC have completed the project appraisal and are in the process of obtaining internal approvals. The financial closure is expected to be concluded by February 2013. Finalization of Power Purchase Agreement (PPA) with NEA is in progress and is expected to be concluded soon. The construction of project will commence after the financial closure and the project is expected to be commissioned by 2016.

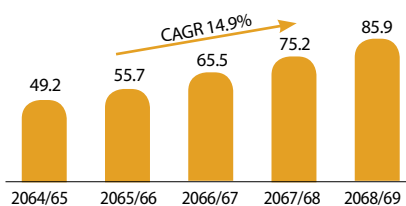
Nyadi Hydroelectric project (30 MW) will be able to generate about 168 GWh energy annually, once it comes under commercial operation in 2016.

RETAIL SALE & LOSSES



Total Energy Purchase: 22.9 GWh

RETAIL SALES REVENUE (MILLION NPR)



In the FY 2068-69, the installation of Bailey bridge over the Marsyangdi River to connect the project site with Manang road has been completed and is in operation. The motorable track opening up to the powerhouse site is completed and other segments up to the surge shaft, headworks and the adit inlet are under construction. Real time flow measurement has been installed at the headworks site of the Nyadi River to record the gauge elevation of the river flow and the data is transferred to the head office for analysis. A contract has been signed with the International Consultant for the detail design and tender document review. Construction of Siuri Khola tailrace diversion structure is ongoing. Land procurement process for the project is at its final stage and out of the total of 498 ropanies of land only 44 ropanies remains to be procured.

Connection Agreement for the power evacuation has been signed with the Grid Operations Department, NEA and PPA is in progress. IFC has visited the site for project appraisal and discussion is ongoing also with local banks for part of financing. The plantation in unstable locations along the opened road track has been carried out and a nursery has also been established for this purpose. The total cost of the project is estimated to be about USD 67.6 million.

The Lower Manang Marsyangdi Hydroelectric Project (140 MW) is a run-of-river hydropower project located in Dharapani and Tachai Bagarchhap VDCs of Manang District, in the Western Development Region of Nepal. The power generated from the project will be evacuated via the proposed Marsyangdi Corridor 220 kV Transmission Line to be developed by the NEA.

Feasibility Study and the Geotechnical Investigation of the Project are completed. Terms of Reference (ToR) and Scoping Document for carrying out EIA study has been approved by Ministry of Environment and EIA Study is being carried out. The local consultant Hydro Consult Pvt. Ltd., with the support of Austria based consultant Bernard Ingenieure zt GmbH), is

involved in carrying out the detail design of the Project. Physical Hydraulic Model Study of the headworks of the Project is ongoing at Hydro Lab. Besisahar-Chame Feeder road track for access to the project site has been opened and is now operational.

It is planned to start the main construction works from 2014 and achieve COD by the end of 2017.

Business Development

BPC through its subsidiaries is developing a number of hydropower projects. Some of them have crossed feasibility study stage and are at the stage of power purchase agreement with NEA. BPC aims to develop medium and large size projects ranging from 10 MW to bigger size in its efforts to expand its generation business. It is also looking at acquiring new hydro projects in order to meet requirement of BPC's growth plan. BPC had applied for sizeable projects to DOED few years back and continuous follow-ups are ongoing for getting survey license. Similarly, attempts are also being made to acquire technologically attractive projects from other IPPs who have acquired survey license of projects and seeking partnership with potential parties for development.

Recently, GON has recommended AKHPU together with other 15 under-construction hydropower projects for providing facilities like soft loan of NPR 2 cores per MW, increasing tariff and waiving penalties due to execution delay. Ministry of Energy (MOE) has also recommended for VAT exemption for such projects. Ministry of Energy is planning to issue Request for Proposal (RFP) for the development of projects in government basket. Once the RFP is issued for such projects, BPC will take part in the bidding process to acquire some good projects.

This fiscal year, BPC aimed to obtain survey licenses of the projects like Kabeli C and Dudh/ Dona Khola HEPs. There was no bidding of hydropower projects by the government.



Management Review and Responsibilities

Management Reviews are held twice a year. Management Reviews are chaired by CEO with participation of all VPs, SBU heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the Management Representative (MR) of the company. MR ensures that results of QEMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss and develop strategy for continual improvements of the company.

Corporate Activities

ISO RECERTIFICATION

After second recertification of ISO 9001:2008 and 14001:2004, first periodic audit was completed on July 9-12, 2012. The second periodic audit of the cycle is due in December 2012.

INTEGRATED QUALITY & ENVIRONMENTAL POLICY

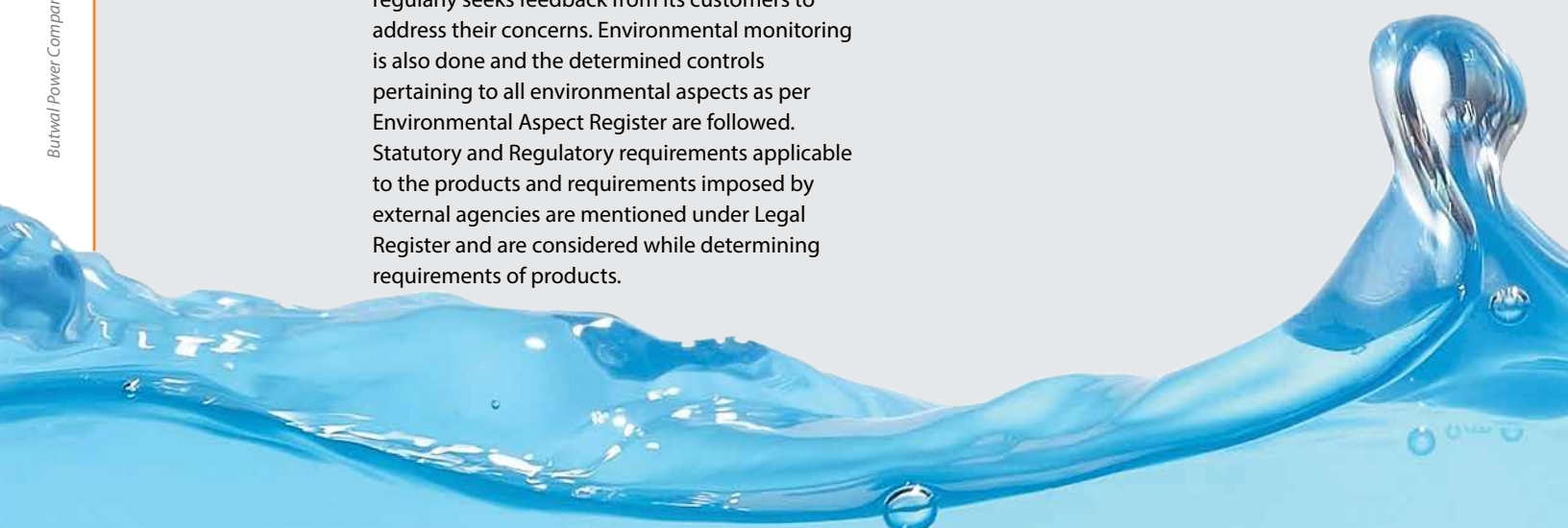
BPC is committed to providing quality and competitive products and services to satisfy customers' needs and conducting business in an environmentally and socially responsible manner, through:

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

With quality and environment management system in place, BPC has been able to satisfy its customer by delivering quality products. BPC regularly seeks feedback from its customers to address their concerns. Environmental monitoring is also done and the determined controls pertaining to all environmental aspects as per Environmental Aspect Register are followed. Statutory and Regulatory requirements applicable to the products and requirements imposed by external agencies are mentioned under Legal Register and are considered while determining requirements of products.

Human Resource

BPC's total human resource at the end of the year was 297. The competency of its human resource makes a strong foundation for any organization to grow on. The management of BPC gives special effort and takes action for continuous skill and competency enhancement of its employees. Through the process of human resource accounting, we continuously analyse information about human resources which assists the management to plan, implement and monitor the Company's human resource development plan in line with the Company's vision and goals. Also, BPC believes in and practices management through participation. Employees' suggestions and grievances are handled to ensure a smooth operation throughout the organization. This also helps in maintaining and improving the industrial relations within the Company.



HUMAN CAPITAL AT THE END OF FY 2068-69

	Technical	Non-Technical	Total
Management	15	16	31
Officer	27	28	55
Assistant	130	81	211
Total	172	125	297

46 different events, including trainings, workshops and seminars, were organized and participated during FY 2068-69. 13 in-house trainings, 28 domestic trainings and 5 training abroad were undertaken. These accounted for a total of 8018 training hours and 534 participants.

Risk Management

BUSINESS RISK ENVIRONMENT

Successful development of hydropower project is heavily dependent on the prudent management of various types of risks. This involves identification of various risks associated with a project and assessment thereof. However, the most important step lies in setting out measures to mitigate such risks including an effective insurance program. In addition to the market risk, there are various risks associated with hydropower business viz: political risk, operational risks, project risks, investment risks etc.

The company regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, the company does not anticipate any financial and material loss from these risks.

POLITICAL COMMITMENT

Every government has set different targets and realized the need of hydropower development for economic development of country. But the targets are not supported by action plans and programs with funding source, schedule, and infrastructures development like transmission

lines, access road, and construction power. At the central level, parties have made commitment to prioritizing the hydropower sector but at the local level the commitments are not at all reflected among the political activists. People expect from the developer to play the role of state at local level for infrastructure development which is not at all justifiable for the sector development. Political activists in the local level should be committed towards implementation of law and order in project sites, and they should also support the developers for or not being able to meet the high expectations of local people such as development of infrastructures. In this regard, top level politicians should give clear directions and remain committed to the policy.

CLARITY ON POLICY

Insufficient policy and legal instruments has been one of the major hurdles for attracting domestic and international investors for the development of hydropower. Issue of ownership on resources is one of the most critical aspects and impose risks for the investment by the private parties. There is no clear policy regarding the role of IPPs and their contribution to address the social issue. It has been a matter of discussion whether hydropower should be developed for fulfilling domestic requirement or develop mega projects by inviting international investors and exporting the surplus hydropower. There is still confusion on the actual available resources, domestic consumption potential and what to do with the rest, if developed. In fact, mechanism for marketing the energy produced which needs bilateral agreements or understanding with the potential cross boarder market is still not in place.

ELECTRICITY PRICING

Many projects have been identified, licenses distributed, study and investigation done and found that the projects are technically viable, PPA signed and required permits/approvals taken but have not been implemented with the same pace. The reason behind this may be many but the main





reason is that the project with given tariff and market interest rate is not commercially viable. For a genuine developer, foreign financiers may show interest to invest but with the prevailing tariff rate no project can give the desired return. If the PPA rate is cost reflective, projects together with required infrastructures can be developed by private investors. In this approach, the developer fixes the price of electricity based on its average cost of generation plus a certain profit margin. Some of the major costs associated with the production of hydropower are costs of preparatory works, civil works, electrical and mechanical equipment, transmission and substation, engineering, management and administration, and operation and maintenance. Also, the volatility of exchange rate of foreign currency risks has to be considered. The cost of the hydropower project can be reduced to some extent with the implementation of Multi-purpose project.

PROJECT DEVELOPMENT RISK

At present, BPC is developing a number of hydropower projects simultaneously and has been experiencing challenges and risks in

executing these projects. Some of the project challenges and problems are local people demand/interruptions, slow work of consultants/contractors, rework due to low quality delivery, blockage of roads due to landslides in monsoon season, delay in financial closure, delay in issuing government licenses and approvals, unavailability of quality technical personals, insufficient quality national civil work contractors/EM and HM suppliers, insufficient specific service providers, insufficient international standard Engineering/Environment study consultants, import of most of materials from third countries thus causing delay and breakage in delivery, unnecessary custom / duty clearances.

All probable development risks have been analysed and risk assessment scorecard has been developed. Risk management plan are prepared and the risks are managed appropriately.

**GENERATION RISK**

The equipment of Andhikhola Plant is very old and has already deteriorated to the maximum extent. The grid connection through 33 kV line of the plant is also very fragile. These factors have posed great risks in smooth operation of the Andhikhola Plant. To cope with such prominent risks, a well trained maintenance team and sufficient quantity of spare parts are made available all the time in the plant. In this FY too, the damaged stator windings of the generator were repaired by in-house manpower within a very short time. Now the plant has been taken up for upgrade with new machinery and the plant is being connected to Rang Khola Sub Station which will help overcome the problems and increase plant reliability.

The Jhimruk River sediment contains large quantities of quartz during monsoon period. This high silt content in the Jhimruk River during monsoon season is the major cause for severe erosion of the turbine parts. This has enforced to operate the plant at low capacity during the flood. The erosion of the turbine parts also reduces the 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 the turbine in less

time. Furthermore, in-house manpower has been trained to accomplish the necessary maintenance works. The effective management of other spare parts as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time and increased the generation and distribution time.

DISTRIBUTION RISK

The foremost risk for distribution business is theft of electricity. Mass theft of electricity could increase commercial loss for distribution and have negative impact on the revenue generation. However, suitable control measures have been adopted by the distribution to curb this risk. Surprise checks are conducted and consumer's houses are inspected regularly. Only few cases of theft have been reported annually. Additionally, the fine imposed on such customers involved in pilferage has helped in reduction from theft.

Another risk for distribution is damage of distribution network due to natural calamity. This risk has been covered by suitable insurance coverage adopted by the company.

Management Team





Shareholder Information

Communication with Stakeholders

Need and concerns of the stakeholders were addressed in time by means of updated information. All modes of communication have been explicitly used to bridge the information gap. Website and daily publications continued to be the primary mode to outreach the stakeholders. To maintain symmetric flow of updated information about BPC's operation, continuity was given in publishing quarterly financial statements and other significant information on national daily newspaper and websites during the year. BPC is committed in value added services to its stakeholders in upcoming days too.

Trading Information

Market response for BPC stock was satisfactory on FY 2068/69 in comparison of overall securities market. Trading during last quarter of fiscal year was encouraging. Trading volume and frequency throughout the quarter was satisfactory with total 44 days of trading and contributing 39% of whole year transaction. However, 1st Month of fiscal (Shrawan-68) year recorded the highest number of trading with 44% of total transaction volume. Key figures related to BPC shares in stock exchange for FY 2068/69 is given below:

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
PROMOTER GROUP			
NEPALI			
Individual	3	183	0.00%
Government	1	922934	9.09%
Corporate Bodies	1	7000410	68.95%
Institutions	2	113330	1.12%
FOREIGN			
Corporate Bodies	1	614038	6.05%
Institutions	1	283395	2.79%
Total	9	8934290	88.00%
PUBLIC SHAREHOLDING			
Individuals	940	1218404	12.00%
TOTAL	949	10152694	100.00%

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
Holding shares upto 50	168	3700	0.04%
Holding shares between 51 to 100	112	8764	0.09%
Holding shares between 101 to 500	274	62671	0.62%
Holding shares between 501 to 1000	244	164119	1.62%
Holding shares in excess of 1000	151	9913440	97.64%
Total	949	10152694	100.00%



Five Year Summary of Balance Sheet

in thousand NPR

Particulars	2064/65 2007/2008	2065/66 2008/2009	2066/67 2009/2010	2067/68 2010/2011	2068/69 2011/2012
ASSETS & PROPERTY:					
Fixed Assets	725,742	765,339	781,666	1,521,536	1,543,387
Land	60,408	64,305	66,561	66,561	59,755
Office Building & Quarters	33,502	32,976	30,508	28,267	67,154
Access Road	2,784	2,554	2,323	2,093	-
Suspension Bridge	1,837	1,685	1,533	1,381	-
Power Plant & Machinery	314,043	287,502	281,217	258,644	233,196
Switching Station	-	20,734	19,893	19,006	9,633
Sub Station	-	-	33,048	31,708	30,368
33 KV Transmission Line Upgrading	-	-	-	18,680	20,377
1 KV Conversion into 11 KV	-	-	-	5,814	6,448
Transmission & Distribution Line	267,466	294,953	305,741	326,480	325,707
Capital Stock	-	-	-	-	32,933
Office Equipments	25,695	28,870	20,866	19,869	33,442
Furnitures	1,645	2,078	1,373	1,378	8,814
Vehicles	18,362	29,682	18,603	21,918	22,953
Revalued Asset	-	-	-	719,737	692,607
Work in Progress	37,191	43,155	95,404	205,488	407,388
Investment in Shares	477,858	706,134	807,211	932,853	1,081,319
Current Assets, Loan & Advance	746,136	743,837	651,519	600,391	1,023,849
Stock	74,647	92,723	104,543	83,413	42,857
Debtors & Receivable	88,407	171,359	93,690	184,140	283,626
Cash & Bank Balance	412,635	291,687	234,888	44,902	322,797
Advance & Deposit	170,447	188,068	218,398	287,936	374,569
Deferred Revenue Expenditure	4,765	5,735	5,644	4,895	5,704
Total	1,991,692	2,264,200	2,341,444	3,265,163	4,061,647
CAPITAL & LIABILITIES:					
Equity	839,058	839,058	922,968	1,015,269	1,015,269
Reserve & Surplus	556,762	707,210	706,834	1,695,673	1,908,136
General Reserve	148,700	148,700	148,700	148,700	148,700
Revaluation Reserve	-	-	-	719,737	692,607
Retained Earnings	306,397	429,502	385,120	621,051	853,602
Grant Aid in Reserve	101,665	129,008	173,014	206,185	213,227
Long Term Loan	-	26,729	57,970	118,111	531,799
Deferred Tax Liabilities	-	-	-	-	13,442
Current Liabilities	570,323	624,543	566,569	328,979	444,198
Short Term Loan	183,956	154,294	205,495	162,932	245,022
Creditors & Payables	356,934	434,050	301,517	149,189	193,808
Advance & Deposit	29,433	36,199	59,557	16,858	5,368
Provisions	25,549	66,660	87,103	107,131	148,803
Provision for Corporate Tax	9,401	12,247	25,207	38,291	43,781
Corporate Tax for 2060/61 (under Appeal)	-	16,774	16,774	16,774	16,774
Provision of Loss in Investment	16,148	37,639	45,122	38,762	82,554
Provision for Expenses	-	-	-	13,304	5,694
Total	1,991,692	2,264,200	2,341,444	3,265,163	4,061,647

Five Year Summary of Profit and Loss Account

in thousand NPR

Particulars	2064/65 2007/2008	2065/66 2008/2009	2066/67 2009/2010	2067/68 2010/2011	2068/69 2011/2012
INCOME					
Operating Income					
Electricity Sale to NEA	372,521	375,103	387,896	408,575	432,511
Electricity Sale to Consumers	49,166	55,697	65,535	75,212	85,922
Electricity Services	6,151	8,040	9,137	9,228	5,583
Management and Technical Support	-	3,740	17,241	80,877	81,133
Consultancy Services	18,894	28,108	-	-	-
Total Operating Income	446,732	470,688	479,809	573,892	605,149
Income from Other Sources					
Interest Income	16,495	11,272	6,408	15,825	32,786
Foreign Currency Exchange Gain (Loss)	18,217	30,809	(3,651)	(4,283)	8,769
Dividend Income	156,894	104,843	137,803	164,265	374,957
Gain (Loss) on Disposal of Assets & Stock Materials	143	608	(602)	2,295	147
Depreciation Being Revenue Portion of Grant Aid	5,276	5,866	7,547	9,408	10,772
Grant Support for Technology Transfer	3,867	4,317	2,077	-	-
Other	1,983	2,897	1,699	1,792	2,296
Total Non- Operating Income	202,875	160,612	151,281	189,302	429,727
Total Income	649,607	631,300	631,090	763,194	1,034,876
EXPENDITURE					
Generation Expenses	82,514	88,491	137,842	144,495	163,387
Distribution Expenses	48,428	48,700	55,762	59,509	59,167
Management and Technical Support Expenses	-	-	12,072	19,556	7,738
Project Development Expenses	-	-	1,045	8,014	15,856
Consultancy Services	16,743	18,957	-	-	-
Administrative Expenses	59,920	70,377	83,253	73,503	84,687
Provision of Loss in Investment	6,869	21,491	7,483	(6,360)	48,292
Interest Expense	7,246	7,913	18,104	25,240	35,789
Depreciation	55,103	61,873	60,632	62,199	67,834
Staff Bonus	9,504	9,659	5,457	9,777	11,400
Total Expenditure	286,327	327,461	381,650	395,933	494,150
Net Profit Before Tax	363,280	303,839	249,440	367,261	540,726
Income Tax Provision	9,401	12,247	25,207	38,291	43,781
Deferred Tax Expenses	-	-	-	-	13,442
Net Profit After Tax	353,879	291,592	224,233	328,970	483,503
Retained Earnings b/f	222,805	306,397	429,502	385,120	621,051
Prior Year's Adjustment	(18,570)	(676)	(115)	(742)	2,865
Dividend of 2057/58 Paid	-	-	-	-	-
10% Stock Dividend	-	-	(83,906)	(92,297)	-
Dividend Paid	(251,717)	(167,811)	(184,594)	-	(253,817)
Balance transferred to B/S	306,397	429,502	385,120	621,051	853,602

Corporate Social Responsibility



BPC believes in sustainable development. 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 does not see itself as a mere profit-making entity. It is a contributing member of the society and is a responsible corporate citizen. BPC thrives to make a better future in close cooperation with all people and groups, including stake holders, employees, customers, shareholders, suppliers, and local communities.



Corporate Social Responsibility Policy of 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.

BPC has been doing different activities related to the social and environmental improvement programmes to fulfil its Corporate Social Responsibility objectives. BPC celebrated World Environment Day on 5th June 2012, with the theme "Green Economy: Does it include you?" at BPC, Kathmandu office premises. Various programs & activities were conducted with the support of Buddhanagar Baudhik Samaj, Buddhanagar Aama Samuha, local community and nearby schools along with BPC employees.

The main objective of the program was to promote awareness on the importance of preserving the biodiversity, the need to identify problems related to the environment and ways to take preventive and corrective actions. Cleaning of Dhobikhola Riverside & Buddha Nagar Area was done during the program.

"Oil Painting on Canvas" workshop was also a part of the World Environment day's program. On this occasion, BPC provided CFL at 50% subsidized rate to the community people and to its staff to encourage its use and save energy. Also, environment friendly bags were also distributed to all the participants to discourage the use of polythene bags.

BPC provided support to repair/maintain & rehabilitate the drinking water system in the Jhimruk project area. Similarly, repair and



maintenance of 20 gravity irrigation canals was also carried-out with villager's participation and environment awareness training. Likewise, as part of Jhimruk Downstream Mitigation Project (JDMP) programme, BPC has established 26 user's organization in the Jhimruk project area and has made easier to repair and maintain the canal smoothly. Similarly, Under the JDMP programme, BPC has initiated planning for 6 lift irrigation schemes in Sarangbesi, Pakala Jadi Dabra, Udiga, Chunatappu and Lower Malabang villages. 7 users' organization for the lift irrigation scheme has also been formed and training and exposure visit have been organized and 23 skill development trainings have been conducted.

Crop diversification demo at 6 different places along with various skill development programs were carried out. During the year, 27 groups with 550 members were formed for coffee production in Jhimruk area under income generation scheme through crop diversification. Coffee seeds were purchased and distributed to the groups. About 65 farm and non-farm based enterprises have been established with the support, benefiting about 190 farmers and local entrepreneurs.

In addition, various social uplift and environmental activities were also conducted that included:

- Awareness program on health and sanitation including mason training for latrine construction that resulted in construction of 700 latrines in the area.
- Construction of 5 new drinking water supply schemes at Dhundi, Gothibang, Hariyatari, Jadi and Jaruwakhola and rehabilitation of 16 existing drinking water supply providing access to clean and safe drinking water to the villagers.

Andhi Khola project was conceived as a multipurpose water-resource project and has inbuilt components of irrigation and drinking water in addition to electricity generation and rural electrification. Presently, the AHREP irrigation project is irrigating around 310 ha of land and is owned and operated by the Andhi Khola Water User's Association (AKWUA). Furthermore, the project has so far conducted various social upliftment activities in the Andhi Khola vicinity including supports for sanitation, extension of agro-forestry, strengthening of community organization, women's' empowerment/ development, and enterprise development initiatives that, together, have improved the lives of more than 60,000 people living in and around the power generation facility, where we supplied electricity generated by the power plant.



Besides the rural electrification program, matters relating to the local employment, health and sanitation, infrastructure support, educational support and drinking water are the areas that have been continuously supported by the project. The project management team has also been made and mobilized to ensure safe and healthy working conditions at the construction site.

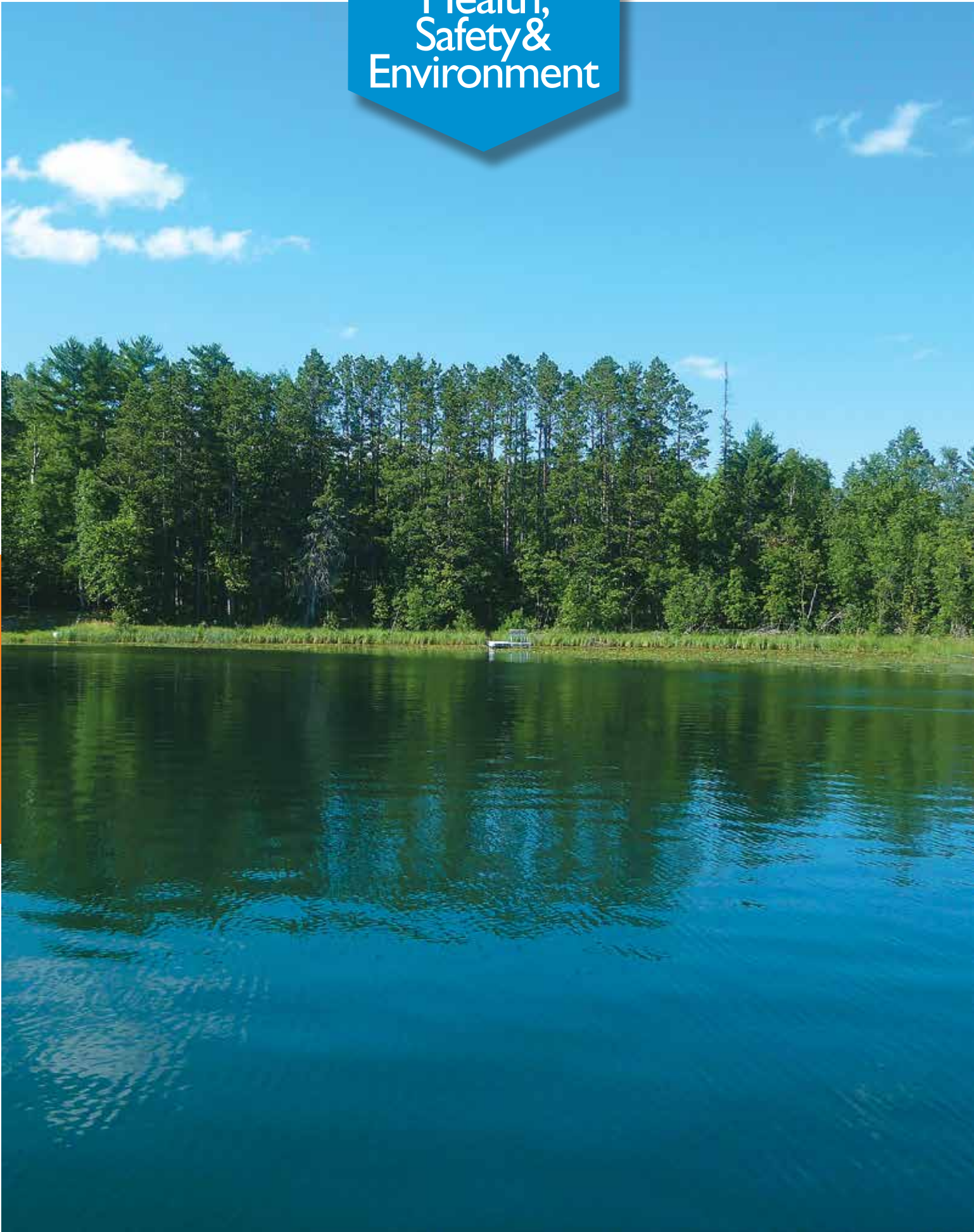
BPC has contributed financial contribution for improvement of Galyang Community Hospital (GCH), education and sports through "Galyang Kshetra Bikas Sarokar Samiti (GKBSS)".

AKHPU had committed for the construction of drain canal along the road network of the area and construction activities are underway. The plan includes the construction of a 563 m drain divided in four sections with varying dimensions. A first-aid and CPR training was also conducted for the AKHPU staff at Galyang, in coordination with Galyang Community hospital during 2nd and 4th of August 2011. Likewise, a new access road linking to the headwork area with Tallo Galyang bazaar has also been constructed.

CSR Expanding to BPC projects

A nursery has been established in Nyadi project area to propagate a special slope stabilization plant (Vetiver). Various plants related to Bio-engineering have been planted along the access road sides and other hill slope area for slope stabilization. Considering the early benefit to the local people in the project area, the project has opened 11 Km road and constructed a 52 m span bailey bridge over the Marsyangdi River to connect the project area with Besisahar-Chame feeder road in advance. This road has benefited various settlements of three VDCs namely Bahundada, Bhulbhule and Khudi. The project has also distributed 22 electric poles and accessories to support the local people of Naiche Village (Bahundada VDC) under rural electrification. In this process, the project has also provided different kinds of skill development trainings to 55 locals of the project area. Likewise, as a part of CSR program, NHP has provided a 700 m long HDPE pipe for Jateswor Lower Secondary School at Ward No. 9, Thulobesi, Bahundanda VDC.

Health, Safety & Environment



BPC recognizes 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.

BPC continuously monitors its environmental impacts and work 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, reduction in the incidence of occupational sickness, as well as the minimization of all kinds of environmental pollution through its defined procedures and safety control systems. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipments. Emergency preparedness plan in place ensures that minimum loss occurs to employees and property in case of an emergency situation. No major accidents were reported during the year.

All the activities are carried out in a safe manner enforcing safety measures. The Safety & Emergency Preparedness Plan is communicated amongst all to cope with all emergencies situation like fire, flood, landslide, earthquake etc. It is planned to implement the OHSAS 18001:2007 Standard to further enhance the health and safety standard of the company.

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, 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. 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 the adverse environmental impacts at the planning stage of the project.

Though Hydropower is considered as environment friendly, some issues still need addressing. The impacts due to water diversion are mitigated properly in a scientific manner. The Company has been carrying out river training works every year in

the affected area to protect the farmer's land from flood. Various activities are being carried out to improve the health and sanitation awareness and its condition in the community.

One of the major environmental aspects of distribution business 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 the local community and are encouraged for plantation. All wastes, which include damaged electromechanical parts, insulating materials and used oils, are disposed in an appropriate way.

While implementing projects, BPC is committed to be transparent and act responsibly in all environmental, social and financial issues.

OHSAS Orientation

With a plan to be certified against OHSAS 18001:2007, BPC has registered with certifying body DNV and the initial certification audit is due in mid of coming fiscal year 2069/70. All the necessary documents have been prepared and are under review by the certifying company. An orientation program on OHSAS was conducted throughout the company in March and June 2012.



Sustainability

Sustainability is the long-term and multi-dimensional concept -- environmental, economic, and social dimensions. It encompasses the concept of stewardship and the responsible management of resources.

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.

Being ISO 9001:2008 and ISO 14001:2004 certified is the evidence that BPC values good governance, quality service delivery and its commitments to the environment.

Economic Performance

BPC has been reporting sustained level of revenue generation. In spite of the poor performance of share market throughout the year, BPC shares performed satisfactorily reflecting the market's confidence in the Company. With the plan of business expansion of building new hydropower projects such as Kabeli-A and Nyadi which is nearing realization, the Company is expected to do better. Further with political stabilization in the horizon, environment to attract the investment in Nepal will help BPC's objective to expand its core business area. BPC's vision to achieve sustained growth is becoming more realizable with the strategies that BPC has embraced.

Social Performance

BPC is sensitive and concerned about social performance in its project areas. 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.

Social Impact Assessment study is conducted to set the socio-economic baseline before implementation of projects, which helps in

identifying impacts and recommending mitigation measures in the affected area. BPC has mobilized its own and external resources to implement social development projects in its project area. Jhimruk Downstream Mitigation Project (JDMP) is an example, 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 programs has also been carried out to enhance the skills and the knowledge enabling the communities to initiate new economic activities. As a result, BPC is confident that these endeavours will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development. In recognition of company's excellence in mitigating the environmental and social impacts from Andhikhola Hydropower Plant and producing environment friendly hydropower, BPC won 'International Blue Planet Award 2005' from International Hydropower Association, UK.

Environmental Performance

Beyond its core business, BPC is sensitive to the environmental concerns in its project area. BPC has always kept conservation and protection of environmental resources as one of its key strategy while carrying out its business. BPC not only provides electricity through its generation project but also focuses on green energy and sustainable development. BPC is constructing its new office building based on the Principle of the Green Building, which is a holistic approach that addresses concerns of environment protection, resource conservation, and energy efficiency ensuring the highest level of use of renewable energy and healthy indoor environmental quality. The new BPC building is aspiring to be the first Nepalese Building to be accredited with prestigious LEED (Leadership in Energy and Environmental Design) certification by US Green Building Council based in Washington. BPC has been contributing to environmental causes beyond the legal requirements such as IEE, EIA studies.

BPC Subsidiaries

Hydro-Consult Engineering Ltd.

Hydro Consult Engineering Ltd. (HCE), formerly Hydro Consult Pvt. Ltd. (HCPL), has recently converted into public limited company. The company specializes in engineering, environment and social consultancy in hydropower, irrigation and other infrastructure development sectors. BPC acquired HCPL in 2009 by holding majority of its shares to run the engineering consultancy business independently. The resources of BPC engineering wing including technical and technological components were transferred to HCPL. BPC holds 80% share in HCPL whereas the 20% shares are held by the other institutional shareholder called People Energy and Environment Development Association (PEEDA).

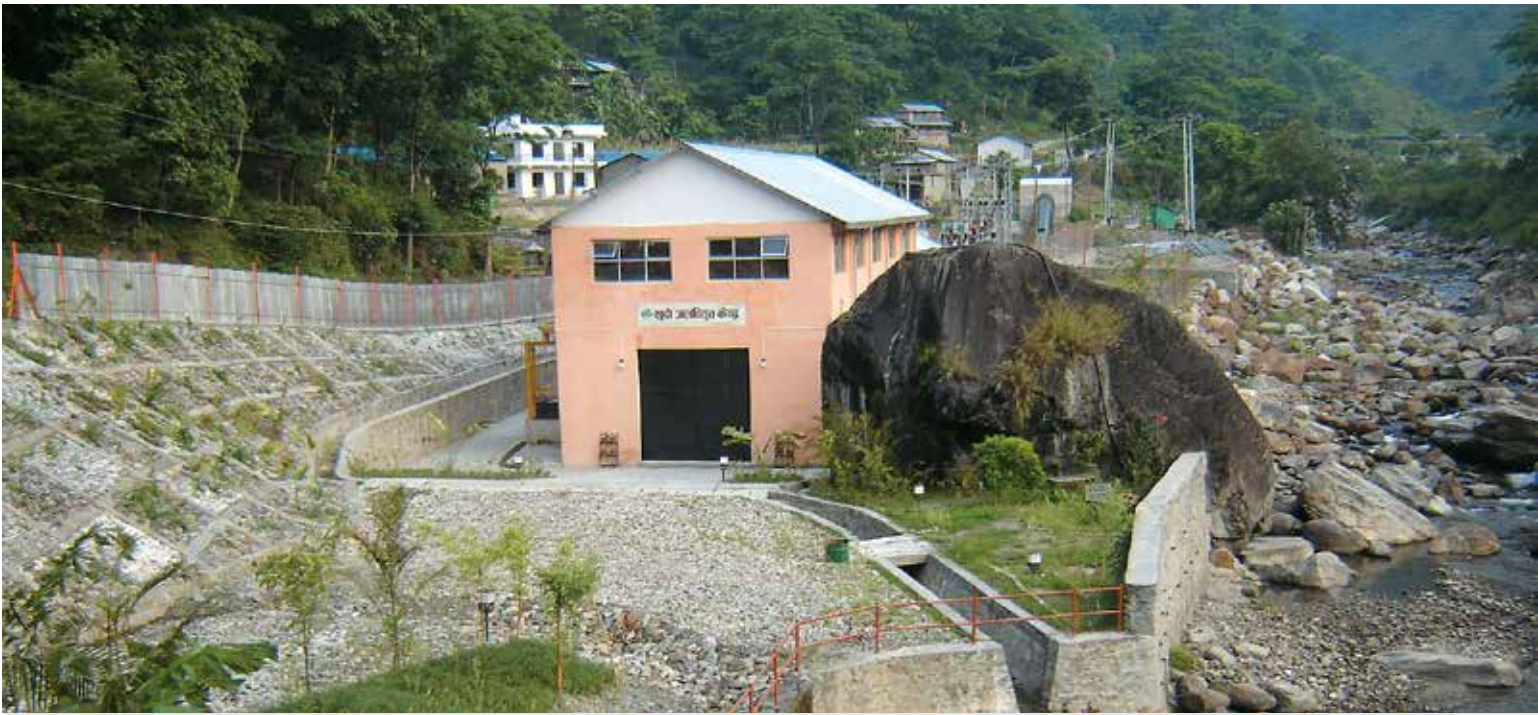
The company has acquired several international projects including the Feasibility Study of Koragh Hydropower (223 MW) in Pakistan in association with AGES Pakistan. HCE has also been working as the construction supervision consultant of Gura Project in Kenya.

HCE is providing various consultancy services to several domestic hydropower and irrigation

projects. Notable consultancy services performed by HCE in the fiscal year 2068-69 are feasibility and detail design of hydropower segment of Bheri Babai Multipurpose Project, study of large mammal and birds for 400kV transmission line funded by World Bank for Nepal Electricity Authority, due diligence study and technical service in hydropower for commercial banks such as Nabil bank Ltd and Laxmi bank Ltd, feasibility study, EIA and ESIA studies of Lower Manang Marshyangdi (140 MW), detail design and construction supervision work of Nyadi (30 MW), detail design of Thapa Khola (11.2 MW), feasibility and detail design of Dordi Khola (11 MW), bridge and gate design of Mai Valley Hydro Power, detail design of Kabeli (37.8 MW).

HCE has continued consistent financial performance and strengthened its financial position. In the current FY 2068-69, the revenue from consultancy income increased to NPR 58.78 million. There was 8 % increment in the total revenue as compared to that of the FY 2067-68. The non operating income is NPR 2.29 million. The net profit before tax is NPR 10.23 million.





Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns and operates the 4-MW Khudi power plant, which began its commercial operation in FY 2063-64. BPC is the major shareholder of KHL with 60% stake. Other shareholders are Lamjung Electricity Development Company Limited (LEDSCO) and SCP Hydro International Inc., Canada. Power generated from the power plant is supplied to the national grid (INPS) in accordance with the PPA signed with NEA.

The Khudi Hydropower Project is a run-of-river type hydroelectric plant situated in Lamjung district in western development region. The installed capacity plant of the plant is 4 MW and is equipped with two horizontal Francis turbines each of 2 MW capacity. The design discharge is 5 m³/sec and the net head is 98 m. The generation voltage of the plant is 6.3 kV and transmission voltage is 33 kV. The generated power is evacuated through 14 km long transmission line and connected to the Integrated Nepal Power System (INPS) at NEA's Udipur Sub-station.

During the FY 2068-69, 20.46 GWh energy was supplied to NEA's grid through 33 KV transmission line, which is 4.16% less compared to the previous year.

Total revenue of NPR 86.45 million has been generated in FY 2068-69 against the set target of NPR 90 million. However, this is the second highest revenue generation since Khudi's operation. The target could not be achieved due to some unavoidable technical reasons.

PROJECT FACT SHEET:

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

Project Location: Head Work site: Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River. Power House site: Lamjung district, Simpani VDC, located on the right bank of Khudi River.

Installed Capacity: 4.00 MW

Annual energy generation: 24,284 MWh

Design discharge: 4.9 m³/s

Gross Head: 103 m

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

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

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



The increase of interest rates had its toll on the financial position of the company. A total of NPR 472.7 million was paid to the lenders as interest and principal repayment till FY 2068-69. As of Ashadh end 2069, the outstanding loan amount for the consortium loan, short term/working capital loan and OD facility is NPR 264.3 million.

Rescheduling and restructuring of loans have been completed and refinancing process is partially done which has eased and improved KHL's cash flow position.

An agreement has been signed with the Sarokar Samity for various mitigation activities to be handled solely by the Samity itself. Previously KHL office was dealing with the individual three VDCs to solve mitigation problem. Now, after signing the agreement, all the problems associated with the three VDCs will be handled solely by the Sarokar Samity.

It has been planned to generate revenue of about NPR 95 million in the FY 2069-70. Capital repair and overhauling of all turbine parts eroded by silt and sediment of both turbine units are planned during the lean period (Poush- Baishakh) when the river discharge will be minimum and sufficient to run only one unit.

The Khudi River contains a huge quantity of sediment during monsoon period. The erosion of turbine parts reduces turbine efficiency and increases maintenance duration and cost. As a preventive measure, the power plant is shut-

down mostly during the high floods when the silt content goes above the operation limits.

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

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. Khudi has paid a total of NPR 10.76 million till FY 2068-69 as royalty since its commercial operation, NPR 2.4 million as royalty for installed capacity and NPR 8.36 million for energy generation has been paid.

A great care has been given to share the benefits of the project to the community. Various activities have continuously been carried out to enhance the Community Relations and Public Interest protection. KHP has been directly involved in supporting various programs such as school, health, technical education and training, neighborhood electrification, construction of motorable road for nearby VDC, and the programs have added significant advantage to the Community.



Nyadi Hydropower Limited

Nyadi Hydropower Limited was registered on 17 Fagun, 2063 as Public Limited Company and obtained approval for commencement of business on 26 Fagun, 2064 for the development of 20 MW Nyadi Hydropower Project located in Lamjung District. The project has been upgraded to 30 MW installed capacity. Feasibility study for 30 MW capacity has already been completed.

Nyadi Hydropower Ltd has been incorporated as a Special Project Vehicle, for development of the project with BPC as a major partner. The Corporate office of the NHL is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

A 52 m span Bailey bridge has been installed over Marshyangdi river. An on-line discharge measurement system has also been installed at the site during this fiscal year. Slope stabilization work, drainage construction and bio-engineering works were carried out along the access road, especially at land slide prone area. Pre-qualification of contractors for civil, hydro-mechanical and electromechanical packages have 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-Manang Road.

Headworks Site is 5 km further away from Power house.

IEE approval has been obtained for 30 MW capacity. Power Purchase Agreement (PPA) is in progress. Following finalization of Hydrology and Energy table, Grid connection agreement has been also signed in FY 2068-69.

During the fiscal year, NHL has also applied for Generation license. Beside this, NHL has obtained Bridge Gap loan from Everest Bank Limited to carry out the pre-construction related works. Construction of canal to tap Siuri tailrace water will be carried out by the end of Bhadra, 2069 to divert the tailrace water into intake of NHP.

Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited was established in 2042 B.S. by Butwal Power Company Ltd., Alstom Power Norway AS, Kvaerner Energy (formally Sorumsand Verkstad) AS Norway, Butwal Technical Institute and Himal Hydro & General Construction Ltd. as the shareholders.

NHE's capabilities include design, manufacturing and installation of hydropower equipment, mainly covering various types of hydraulic gates, stoplogs, trashracks, penstock pipes, medium sized turbine housings, micro/mini turbines and substations and repair of electro-mechanical equipments.

NHE's major accomplishments are installation of Tinau (1 MW), Darchula (0.25 MW), Andhikhola (5.1 MW), Jhimruk (12 MW), Puwakhola (6.2 MW), Khimti-1 (60 MW), Modi (14 MW), Chilime (20 MW), Kaligandaki 'A' (144 MW), Khudi (4 MW) and Middle Marsyangdi (70 MW) Hydropower Projects, 30 MVA 132/33kV Chandranigahpur and 63 MVA 132/33 kV Butwal Substation Projects of NEA. In the international market, the Company has reclaimed a few Pelton Runners for 336 MW Chhukha Hydropower Station of Bhutan.

Among the major achievements this year, the Company has entered into new contracts with ADB funded NEA 132 kV Bay Extension at Lamahi and 132/33 kV, 30 MVA Ghorahi Substations, NEA Chameliya Project 2 x 10 MVA, 132 and 33 kV Substations at Baitadi and Darchula, NEA Grid Operation 30 MVA Power Transformer at Lamahi Substation. In addition, the company has also completed major works such as World Bank funded Lot 1 Rehabilitation and Capacity Upgrading Project 3 months ahead of the target date and 5 MW Siuri Project. Apart from these, HM & EM Works of 30 MW Chameliya, 10 MW Siprin Project, 132/33kV Substations at Butwal - Kohalpur Transmission Corridor of NEA and HM Works of 9.4 MW Andhikhoa Project (Upgrading) and Turbine repair of Middle Marsyangdi, Khimti 1, Sunkoshi, Jhimruk & Modikhola Power Plants are some of the major ongoing works. With the new contracts and the works in progress, the Company has the job orders worth of Rs 1.32 billion in



hand, which is about 20% higher than that of the previous year. Additionally, the company bid is the lowest in 14.5 MW Sanjen (Upper) and 42.5 MW Sanjen Hydropower Projects Hydro-mechanical Equipment Tenders among other 4 more bidders from India and China.

Some of the international clients of the Company include Alstom Power, Andritz Hydro GmbH, Druk Green Power Corporation (Bhutan), DSD - Noell GmbH, Korea Hydro & Nuclear Power Corporation Ltd., Larsen and Toubro Ltd., Voith Hydro Holding GmbH & Co. KG and Marusin Sitaka Corporation Inc etc. In the national market, Nepal Electricity Authority, Butwal Power Company, Himal Power and various IPPs are the major clients.

BPC Services Limited

BPC Services Limited, a fully owned 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 has been providing Operation and Maintenance Management Services to Independent Power Producers' power plants since last four years. Moreover, BPCSL has been providing competent technical experts in hydropower projects as well as in social and environmental mitigation program implemented by IPPs.

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 as well as provide services to the AEPC/REDP micro hydro.

BPCSL's total income before depreciation, interest expenses and provisions was NPR 0.78 million in the FY 2068-69. The net worth of BPCSL as on July 15, 2012 stands at NPR 10.5 million.

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 the following CSR activities for its clients:

- Construction and maintenance river training works.
- Planning, designing and construction rural electrification works.
- Coordinating with the representative of local community to discuss and mitigate the local issues.
- Repair of irrigation canal and drinking water systems.
- Coordination for running school support programs.
- Supporting the local youth clubs in their various social activities.
- Supporting in plantation in different areas.
- Coordinating and assisting in selection process for providing scholarship to the deserving students.
- Coordinating to conduct skill and enterprise development training programs
- Coordinating to provide support for the operation of local health posts.





PROJECT FACT SHEET

Project type: Peaking Run-of-river (PROR)

Project Location: Head Woks site- Headworks of the project lies in Dhuseni area of Amarpur VDC-5 of Panchthar on the left bank and Thechambu VDC-5 of Taplejung. Power House site-Powerhouse of the project lies in Pinase Amarpur VDC-9 of Panchthar District.

Installed Capacity: 37.6 MW

Annual energy generation: 201 GWh

Design discharge: 37.73 m³/sec at Q40

Gross Head: 118.8 m

Head Race Tunnel: 4327 m

Power Evacuation: Power evacuation from switchyard of KAHEP

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

Headworks - 7.5 km from Mechi highway

Powerhouse - 14.5 km from Mechi highway

Kabeli Energy Limited

Kabeli Energy Limited has been established to BOOT Kabeli-A Hydro Electric Project. The project is located in Taplejung and Panchthar 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 118.8 m and the design discharge based at 40 percentile flow in the river is 37.73 m³/s. The project will have an installed capacity of 37.6 MW and will generate 201 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 development of the project on Build-Own-Operate-Transfer (BOOT) basis was signed in January 2010, and is being executed. The updated Feasibility study of the project has been completed and approved by GoN. The pre-Qualification of different contracts like Civil Surface, Civil Underground, Hydro-mechanical and Electromechanical have been completed and the bids for tender are ready for release. Also, the detail design is in progress. Process for PPA with NEA has been initiated. Track opening of 24 kms access road and bio-engineering work, including its slope

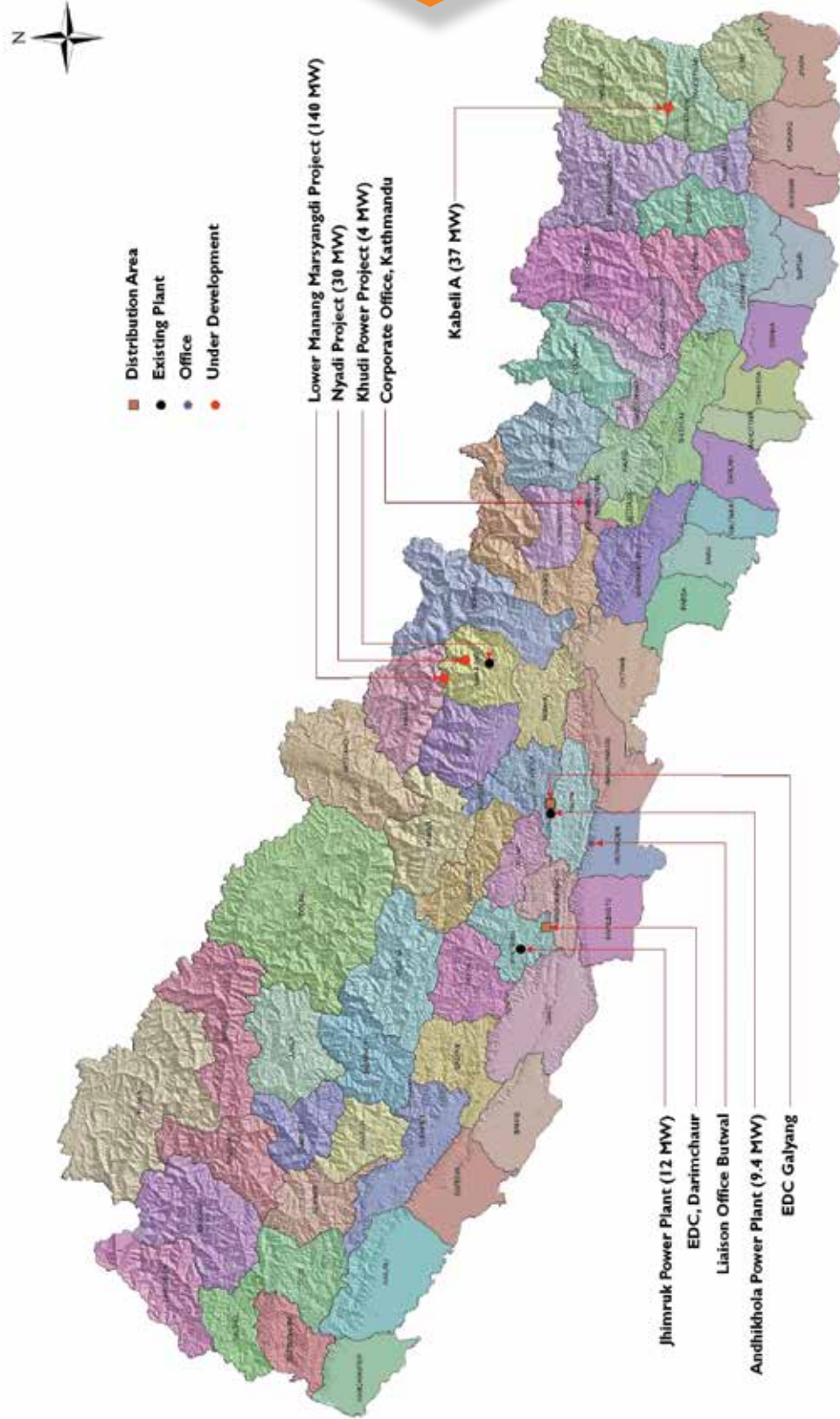
stabilization towards headwork and powerhouse, have been completed and detailing is in progress to upgrade the access road.

The Dam Safety Plan has complied with the operational policy requirement of World Bank and discussions are ongoing with GoN regarding the terms and conditions for availing the World Bank loan. Apart from WB, we are also in discussions with IFC and local banks for financing the project. The financial closure is planned to be completed within the 1st Quarter of 2013, and the construction is to be commenced after financial closure.

In the FY 2069-70, KEL plans to complete upgrading work of access road, staff colony, remaining land procurement works, connection agreement with NEA and GIS mapping of the project components. Also, plan is underway to address the mitigation measures spelled out in approved EMP/SAP.

KEL has established a nursery for production of seedlings of different plant species which are useful for bio-engineering and livelihood enhancement activities. Corporate Social Responsibility is a key tool to make good rapport and create an enabling environment for project implementation and execution. Thus support towards village school construction has been provided along with the construction of 4000 litre capacity water tank for the locals. Similarly, free dental camp for local community along with health/hygiene training for teachers by expert dentists from "Health & Development Society Nepal" have been accomplished as part of CSR initiatives.

Our Presence





financial
statements
2012



AUDITOR'S REPORT TO THE SHAREHOLDERS OF Butwal Power Company Limited

Report on the Financial Statements

We have audited the attached financial statements of Butwal Power Company Limited., which comprise the Balance Sheet as at 31 Ashadh 2069 (15 July 2012) and Profit and Loss Account, Statement of Changes in Equity, Statement of Cash Flow and significant accounting policies and notes relating to the annual accounts for the year ended on that date.

Management's Responsibility for the Financial Statements

Management of the company 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 internal control

relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the attached financial statements give a true and fair view of the financial position of Butwal Power Company Limited, as at 31 Ashadh 2069 (15 July 2012) and of its financial performance and cash flows for the year then ended in accordance Nepal Accounting Standards.

Report on Other Legal and Regulatory Requirements

On the basis of our examination and according to explanations given to us, we would like to further report that:

1. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
2. The books of accounts as required by the prevailing laws have been maintained by the company.
3. The Balance Sheet, Profit and Loss Account, Statement of Changes in Equity and Statement of Cash Flow have been prepared in accordance with Nepal Accounting Standards and are in agreement with the books of accounts maintained by the company.
4. We have not come across the cases where the directors or any representative or any employee of the company has acted against the law or caused any loss or damage to the company or misappropriated any funds of the company.

Pratap P Pradhan
For PP Pradhan & Co
Chartered Accountants
Date: 7 December 2012
Place: Kathmandu, Nepal



BALANCE SHEET

As on 31 Ashadh 2069 (15 July 2012)

(in NPR)

Particulars	Schedule	2068/69	2067/68
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	1,015,269,400	1,015,269,400
Reserve & Surplus	2	1,694,908,832	1,489,487,919
Total Shareholder's Fund		2,710,178,232	2,504,757,319
2 Grant Aid in Reserve	3	213,227,073	206,185,385
3 Long Term Loan		531,799,457	118,111,415
TOTAL		3,455,204,762	2,829,054,119
II APPLICATION OF FUND			
1 Fixed Assets	4		
Gross Block		2,292,891,330	2,231,264,346
Less: Depreciation		749,504,026	709,728,713
Net Block		1,543,387,305	1,521,535,633
2 Work in Progress	5	407,388,142	205,487,789
3 Investment in Share	6	1,081,319,493	932,852,861
4 Current Assets:			
Stocks	7	42,856,537	83,412,766
Debtors & Accounts Receivable	8	283,625,622	184,140,402
Cash in Hand and at Bank	9	322,797,057	44,902,225
Advance & Deposit Paid	10	374,568,968	287,936,045
Total Current Assets		1,023,848,183	600,391,438
5 Deferred Tax Liabilities		13,441,928	
6 Less: Current Liabilities			
Short Term Loan		245,021,783	162,931,639
Creditors & Accounts Payable	11	193,807,980	149,189,320
Advance & Deposit Received	12	5,367,577	16,857,519
Provisions	13	148,803,346	107,130,620
Total Current Liabilities		593,000,686	436,109,098
Net Current Assets		430,847,497	164,282,340
7 Deferred Revenue Expenditure		5,704,253	4,895,495
TOTAL		3,455,204,762	2,829,054,119

Schedule 1 to 13 form an integral part of this financial statement.

Radheshyam Shrestha
Vice President- Finance

Ranjan Lohar
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Bijay Bahadur Shrestha
Director

Bijaya Krishna Shrestha
Director

Anup Kumar Upadhyay
Director

Ratna Sansar Shrestha, FCA
Director

As per our report of even date

Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants

Date: 22.08.2069
Place: Kathmandu, Nepal

PROFIT AND LOSS ACCOUNT


For the year ended 31 Ashadh 2069 (15 July 2012)

(in NPR)

Particulars	Schedule	2068/69	2067/68
OPERATING INCOME			
Electricity Sale to NEA		432,510,887	408,575,229
Electricity Sale to Consumers	14	85,921,727	75,212,228
Electricity Services	15	5,583,646	9,228,309
Management and Technical Support	16	81,133,055	80,877,223
Total Operating Income		605,149,314	573,892,989
OPERATING EXPENSES			
Generation Expenses	17	163,386,934	144,495,163
Distribution Expenses	18	59,166,853	59,508,585
Management and Technical Support Expenses	19	7,737,916	19,555,767
Project Development Expenses	20	15,855,647	8,014,066
Total Operating Expenses		246,147,349	231,573,581
GROSS OPERATING PROFIT		359,001,965	342,319,408
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	21	84,687,503	73,502,775
Depreciation	4	67,834,565	62,199,324
Provision for Loss/(Income) in Investment	22	48,291,984	(6,360,430)
Interest on Loan		35,789,173	25,240,413
Total Administrative and Other Expenses		236,603,225	154,582,084
INCOME FROM OTHER SOURCES			
Interest Income		32,785,809	15,824,992
Other Income	23	2,295,669	1,791,274
Depreciation Being Revenue Portion of Grant Aid		10,772,241	9,407,824
Dividend Income		374,956,929	164,265,280
Foreign Currency Exchange Gain/(Loss)		8,769,975	(4,283,426)
Gain/(Loss) on Disposal of Assets & Stock Materials	24	147,266	2,295,016
Total Income From Other Sources		429,727,888	189,300,959
PROFIT (LOSS) BEFORE BONUS & TAX		552,126,628	377,038,284
Employees's Bonus		11,400,409	9,777,571
Provision for Corporate Tax		43,781,451	38,290,876
Deferred Tax Expenses		13,441,928	
NET PROFIT (LOSS) BEFORE APPROPRIATION		483,502,840	328,969,837
Profit & Loss Appropriation Account:			
Last Years Balance		621,050,919	385,120,213
Profit for this Fiscal Year		483,502,840	328,969,837
Total		1,104,553,759	714,090,050
Less: 10% Stock Dividend			(92,296,750)
Less: Dividend Paid		(253,817,350)	
Total Dividend		(253,817,350)	(92,296,750)
Prior Years Adjustment		2,865,506	(742,381)
Balance Transferred to Balance Sheet		853,601,915	621,050,919


Significant Accounting Policies & Notes to Accounts
Schedule 14 to 25 form an integral part of this financial statement.

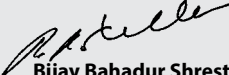
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Radheshyam Shrestha
Vice President- Finance



Ranjan Lohar
Chief Executive Officer

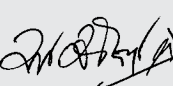

Padma Jyoti
Chairman


Pradeep Kumar Shrestha
Director

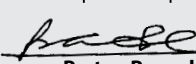

Bijay Bahadur Shrestha
Director


Bijaya Krishna Shrestha
Director


Anup Kumar Upadhyay
Director


Ratna Sansar Shrestha, FCA
Director

As per our report of even date


Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants

Date: 22.08.2069
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashadh 2069 (15 July 2012)

(in NPR)

Particulars	Share Capital	Revaluation Reserve	General Reserve	Retained Earnings	Total
Previous Year's Balance	1,015,269,400	719,737,000	148,700,000	621,050,919	2,504,757,319
Adjustment for the Year	-	(27,130,083)			(27,130,083)
Dividend of FY 2067/68 paid				(253,817,350)	(253,817,350)
Profit for the Year				483,502,840	483,502,840
Prior Year's Adjustment				2,865,506	2,865,506
Balance as on 31st Ashadh, 2069	1,015,269,400	692,606,917	148,700,000	853,601,915	2,710,178,232

STATEMENT OF CASH FLOW

For the year ended 31 Ashadh 2069 (15 July 2012)

(in NPR)

Particulars	2068/69	2067/68
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	552,126,628	377,038,284
Adjustment for:		
Ordinary Depreciation	57,062,324	52,791,501
Depreciation Charged to Grant Aid in Reserve	10,772,241	9,407,824
Foreign Currency Exchange (Gain)/Loss	(8,769,975)	4,283,426
Interest Expenses	35,789,173	25,240,413
Interest Received	(32,785,809)	(15,824,992)
Dividend Received	(374,956,929)	(164,265,280)
Provision on Loss/(income) in Investment	43,791,984	(6,360,430)
Provision for Expenses	(7,609,834)	13,303,987
(Gain)/Loss on disposal of Stock	(147,266)	(2,295,016)
Deferred Revenue Expenses	(808,758)	749,372
Written off of Assets	22,349,820	1,030,817
Operating Profit before Working Capital Changes	296,813,599	295,099,905
Decrease/(Increase) in Debtors & Accounts Receivable	(99,485,220)	(90,414,287)
Decrease/(Increase) in Stocks	40,703,495	23,425,452
Decrease/(Increase) in Advance & Deposit Paid	(54,408,685)	(67,153,314)
Increase/(Decrease) in Creditors & Accounts Payable	34,592,322	21,937,559
Increase/(Decrease) in Advance & Deposit Received	(11,489,942)	(42,698,479)
Cash Generated from Operations	206,725,570	140,196,837
Interest Paid	(35,789,173)	(25,240,413)
Foreign Currency Exchange Gain/(Loss)	8,769,975	(4,283,426)
Bonus Paid	(9,777,571)	(5,457,355)
Tax Paid	(70,515,114)	(27,591,593)
Prior year Adjustment	2,865,506	(737,231)
Net Cash Flows from Operating Activities (A)	102,279,192	76,886,819
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(139,166,139)	(83,363,120)
Investment in Share	(148,466,633)	(125,642,158)
Decrease/(Increase) in Work-in-Progress	(201,900,353)	(110,084,250)
Interest Received	32,785,809	15,824,992
Dividend Received	374,956,929	164,265,280
Net Cash Flows from Investing Activities (B)	(81,790,386)	(138,999,255)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Grant Aid in Reserve	7,041,688	33,170,932
Increase/(Decrease) in Long Term Loan	413,688,042	60,141,210
Increase/(Decrease) in Short Term Loan	82,090,144	(42,563,112)
Dividend Paid	(245,413,850)	(178,622,251)
Net Cash Flows from Financing Activities (C)	257,406,026	(127,873,221)
Net Changes in Cash & Cash Equivalents (A+B+C)	277,894,832	(189,985,658)
Opening Cash and Cash Equivalents	44,902,225	234,887,883
Closing Cash and Cash Equivalents	322,797,057	44,902,225

Schedules to the Balance Sheet & Profit & Loss Account

Fiscal Year 2068/69 (2011/2012)

Share Capital

Schedule No. 1
(in NPR)

Particulars	2068/69	2067/68
Authorised Capital:		
80000000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
Issued Capital		
17000000 Shares of Rs.100/- each	1,700,000,000	1,690,000,000
Paid up Capital:		
Shares at face value of Rs. 100/- each		
Government of Nepal	92,293,400	92,293,400
Shangri-La Energy Ltd.	700,041,000	700,041,000
Interkraft Nepal A.S., Norway	61,403,800	61,403,800
United Mission to Nepal	28,339,500	28,339,500
Nepal Electricity Authority	10,722,900	10,722,900
Nepal Industrial Development Corporation	610,100	610,100
Employees	16,781,100	16,781,100
General Public	105,059,300	105,059,300
Purna Prasad Adhikari	6,100	6,100
Balaram Pradhan	6,100	6,100
Suman Basnet	6,100	6,100
Total	1,015,269,400	1,015,269,400

Reserve and Surplus

Schedule No. 2
(in NPR)

Particulars	2068/69	2067/68
General Reserve	148,700,000	148,700,000
Revaluation Reserve	692,606,917	719,737,000
Retained Earnings	853,601,915	621,050,919
Total	1,694,908,832	1,489,487,919

Grant Aid in Reserve

Schedule No. 3
(in NPR)

Particulars	2068/69	2067/68
NORAD Grant for JHEREP II A - R.E.	13,896,457	15,159,771
UMN PCS Assistance for Rural Electrification	25,086,617	26,681,136
USAID Grant for Rural Electrification	15,643,976	17,032,849
USAID Support for REGDAN	14,677,625	15,417,208
JRP Grant for Enhancement of Power Plant	8,187,544	8,733,532
NMFA Support for REEP	95,203,001	90,586,422
KADOORI VDC	1,093,451	1,145,747
Udaypurkot VDC	722,388	356,938
Dhungegadhi VDC	1,701,398	1,546,880
Hansapur VDC	2,346,143	1,886,351
Dhakabang VDC	5,378,143	4,713,313
Bhingree VDC	775,062	778,447
Markabang VDC	63,750	66,692
Dharampani VDC	549,847	575,221
Aladi VDC	4,011,553	2,942,630
Kalikakot VDC	4,026,502	3,582,129
Banethok Deurali VDC	2,517,855	2,040,978
Sorek VDC	411,979	430,662
Tindobate VDC	325,026	226,882
Sekham VDC	448,206	468,657
Darchha VDC	1,544,084	939,067
Rampur VDC	491,699	513,704
Heklang VDC	977,195	838,828
Kuwakot VDC	78,033	81,476
Gejha VDC	103,257	107,813
Walling (Pension Camp)	40,080	41,848
Sirsekot VDC	73,944	77,206
Dhapuk VDC	158,893	165,903
Nepal Telecom (Banethok)	102,821	107,357
Sakhar VDC	483,229	361,941
Gandakot VDC	2,520,052	1,829,311
Narange DWP, Pakala	933,219	974,384
Sari VDC	525,780	321,024
NEPAL TELECOM, Pyuthan	246,702	257,584
Bangesal VDC	2,690,402	1,810,553
DDC- Arghakhanchi	2,720,400	2,840,400
Pelakot	55,793	58,150
Kalikakot (Ncell)	180,314	187,934
Spice Nepal Pvt. Ltd. (Pyuthan)	1,257,590	168,341
Tiram VDC	124,842	130,116
Hungi (Ncell)	107,082	-
Pakawadi	19,438	-
Gejha (Ncell)	66,083	-
Thumpokara (Ncell)	167,955	-
Walling (Ncell)	241,795	-
Khaliban	5,354	-
Barjibang VDC	244,516	-
Total	213,227,073	206,185,385

Fixed Asset & Depreciation

Schedule No. 4
(in NPR)

Particulars	Gross Block			As at 31st Ashadh 2069	Depreciation			Net Block		
	As at 32nd Ashadh 2068	Addition during the Year	Adjustment during the Year		As at 32nd Ashadh, 2068	Adjustment during the Year	Provided during this Year	As at 31st Ashadh 2069	As at 31st Ashadh 2069	As at 32nd Ashadh 2068
Group A : Property and Power Plant:										
i : BPC Funded Asset										
Land	64,947,014		(6,805,925)	58,141,088	-			-	58,141,088	64,947,014
Access Road	5,760,000		(5,760,000)	-	3,667,200	(3,667,200)	-	-	-	2,092,800
Suspension Bridge	3,800,000		(3,800,000)	-	2,419,333	(2,419,333)	-	-	-	1,380,667
Guesthouse,Stores,Offices,Quarters	48,968,456	41,517,192	(226,398)	90,259,250	20,701,449	(187,443)	2,591,505	23,105,511	67,153,739	28,267,008
Power Plant Electro-Mechanical Equipment	344,435,357	2,073,137	(11,609,240)	334,899,254	199,486,253	(11,609,240)	13,823,047	201,700,060	133,199,194	144,949,104
Power Plant Civil Works	318,280,185		(2,092,716)	316,187,469	213,670,671	(1,660,324)	12,642,692	224,653,040	91,534,429	104,609,513
Switching Station	11,221,469		(9,847,783)	1,373,686	1,047,336	(919,126)	54,947	183,157	1,190,529	10,174,133
Sub-Station	9,532,542			9,532,542	508,403		381,302	889,705	8,642,837	9,024,139
33 KV Transmission Line Upgrading	5,388,192	707,767		6,095,959	71,843		224,965	296,808	5,799,151	5,316,349
1 KV Conversion into 11 KV	1,676,886	250,986		1,927,872	22,358		70,421	92,779	1,835,093	1,654,528
Transmission Line	154,255,997	492,730		154,748,726	89,549,830		6,176,743	95,726,573	59,022,153	64,706,166
Distribution Line	180,044,598	4,636,085	-	184,680,683	63,585,863	-	7,263,357	70,849,220	113,831,463	116,458,736
Capital Stock		34,148,458		34,148,458			1,215,133	1,215,133	32,933,326	-
Sub - Total i	1,148,310,697	83,826,354	(40,142,063)	1,191,994,988	594,730,539	(20,462,665)	44,444,112	618,711,985	573,283,002	553,580,158
ii : Grant Aided Asset										
Transmission Line	17,995,555	1,472,853		19,468,407	4,393,888		739,263	5,133,151	14,335,256	13,601,667
Distribution Line	174,955,186	14,059,474		189,014,660	44,555,689		7,184,726	51,740,415	137,274,245	130,399,497
Power Plant Electro-Mechanical Equipment	15,574,320			15,574,320	6,488,870		622,973	7,111,843	8,462,477	9,085,450
Switching Station	9,741,564			9,741,564	909,214		389,663	1,298,877	8,442,687	8,832,350
Sub-Station	23,961,984			23,961,984	1,277,972		958,479	2,236,451	21,725,533	22,684,012
Land	1,614,010			1,614,010	-		-	-	1,614,010	1,614,010
Transmission Sub-station	1,760,314			1,760,314	445,949		70,413	516,362	1,243,952	1,314,365
33 KV Transmission Line Upgrading	13,544,317	1,779,116		15,323,433	180,591		565,495	746,086	14,577,347	13,363,726
1 KV Conversion into 11 KV	4,215,194	630,905		4,846,099	56,203		177,020	233,223	4,612,876	4,158,991
Sub - Total ii	263,362,444	17,942,347	-	281,304,791	58,308,376	-	10,708,032	69,016,408	212,288,384	205,054,068
Total A (i+ii)	1,411,673,141	101,768,701	(40,142,063)	1,473,299,779	653,038,914	(20,462,665)	55,152,144	687,728,393	785,571,386	758,634,226
Group B: Office Equipment & Furniture										
i : BPC Funded Asset										
Computer & Accessories	17,051,260	2,349,594	(1,469,415)	17,931,439	10,496,693	(1,153,380)	2,063,544	11,406,857	6,524,582	6,554,567
Furniture & Fixture	3,246,713	8,674,146	(659,741)	11,261,119	1,868,975	(509,544)	1,087,632	2,447,063	8,814,055	1,377,739
Office Equipment	16,270,181	18,912,021	(3,217,510)	31,964,692	10,556,729	(1,901,661)	3,028,123	11,683,192	20,281,500	5,713,452
Sub - Total i	36,568,154	29,935,762	(5,346,667)	61,157,249	22,922,397	(3,564,584)	6,179,300	25,537,113	35,620,137	13,645,757
ii : Grant Aided Asset										
Office Equipment	1,574,260		(1,049,506)	524,754	1,317,424	(921,088)	64,209	460,545	64,209	256,836
Sub - Total ii	1,574,260	-	(1,049,506)	524,754	1,317,424	(921,088)	64,209	460,545	64,209	256,836
Total B (i+ii)	38,142,414	29,935,762	(6,396,173)	61,682,003	24,239,821	(4,485,672)	6,243,508	25,997,657	35,684,346	13,902,593
Group C: Vehicle										
Vehicles	43,928,491	6,782,742	(1,689,771)	49,021,462	22,010,357	(929,850)	4,987,918	26,068,425	22,953,037	21,918,134
Group D: Workshop Plant and Equipment										
Workshop Plant & Equipment	13,639,621	121,609	(97,710)	13,663,520	7,502,638	(97,710)	937,110	8,342,038	5,321,482	6,136,983
Construction Equipment	50,000			50,000	46,233		565	46,798	3,202	3,767
Other Office Equipment & Tools	1,378,316	30,999	(181,170)	1,228,144	942,042	(181,170)	88,682	849,554	378,591	436,274
Total D	15,067,937	152,608	(278,880)	14,941,665	8,490,913	(278,880)	1,026,357	9,238,389	5,703,275	6,577,024
Group E: Intangible Assets										
Computer Software	2,715,364	526,327	(1,902,186)	1,339,505	1,948,708	(1,902,185)	424,638	471,161	868,344	766,655
Grand Total (A+B+C+D+E)	1,511,527,346	139,166,139	(50,409,072)	1,600,284,413	709,728,713	(28,059,252)	67,834,565	749,504,026	850,780,387	801,798,633
Total Asset BPC Funded	1,246,590,643	121,223,792	(49,359,566)	1,318,454,868	650,102,914	(27,138,164)	57,062,324	680,027,073	638,427,795	596,487,729
Total Asset Grant Aided	264,936,704	17,942,347	(1,049,506)	281,829,545	59,625,800	(921,088)	10,772,241	69,476,952	212,352,592	205,310,904
Revalued Asset:										
Land	231,555,000		(7,415,912)	224,139,088				-	224,139,088	231,555,000
Building	41,999,000		(1,766,171)	40,232,829				-	40,232,829	41,999,000
Power Plant & Machinery	446,183,000		(17,948,000)	428,235,000				-	428,235,000	446,183,000
Revalued Total Asset	719,737,000	-	(27,130,083)	692,606,917	-	-	-	-	692,606,917	719,737,000
Grand Total with revalued asset	2,231,264,346	139,166,139	(77,539,155)	2,292,891,330	709,728,713	(28,059,252)	67,834,565	749,504,026	1,543,387,305	1,521,535,633

Work in Progress

Schedule No. 5
(in NPR)

Particulars	2068/69	2067/68
A: Capital Work in Progress:		
Rural Electrification on MFA Grant (REEP)	3,705,212	3,420,329
BPC New Office Building	89,065,310	91,804,383
Infrastructure Facility	146,335	-
Shades and Stores	617,374	-
Galyang-Syangja Line Upgrading	860,513	-
Sub Total	94,394,745	95,224,712
B: Project Work in Progress:		
Andhikhola Upgrading	208,711,084	60,210,364
Lower Manang Marshyangdi HEP	104,022,830	50,052,714
Consultancy Expenses (Software)	259,483	-
Sub Total	312,993,397	110,263,078
Total	407,388,142	205,487,789

Investment in Shares (unlisted companies)

Schedule No. 6
(in NPR)

Particulars	2068/69	2067/68
A: Shares are at face value/ at cost		
Himal Power Limited	434,931,461	434,931,461
Nepal Hydro & Electric Limited	71,580,000	71,580,000
Jhimruk Industrial Dev. Center (P) Limited	-	4,500,000
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	223,606,000	139,510,700
Keton Hydropower Co. Limited	-	14,400,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	54,000,000	8,100,000
Hydroconsult Pvt. Limited	8,000,000	8,000,000
Sub Total	911,756,961	800,661,661
B: Advance/Investment toward Share		
Khudi Hydropower Limited	20,350,000	20,350,000
Nyadi Hydropower Limited	-	20,566,406
Keton Hydropower Co. Limited	-	500,000
Hydroconsult Pvt. Limited	1,422,656	1,872,348
Kirne HEP	41,556,244	37,368,814
Kabeli Energy Limited	106,233,632	51,533,632
Sub Total	169,562,532	132,191,199
Total	1,081,319,493	932,852,861

Stocks

Schedule No. 7
(in NPR)

Particulars	2068/69	2067/68
General Stock/Office Supplies/Consumer Service Item	11,129,981	8,766,157
Stock of Electric Goods	3,325,189	6,032,110
Power Plant Simulator/Power House Equipment	16,255,654	41,174,629
T/L & D/L Stock	11,689,513	26,024,040
Steel Stock	219,645	304,384
GI Fittings	94,224	93,574
Fuel/Lubricants	-	1,173
Vehicle Spareparts	138,476	132,883
Medical Stock	3,855	9,336
Power House Equipment (JRP Grant)	-	874,481
Total	42,856,537	83,412,766

Debtors & Accounts Receivable

Schedule No. 8
(in NPR)

Particulars	2068/69	2067/68
Sundry Debtors	1,157,372	624,663
Nepal Electricity Authority	25,202,194	27,595,415
NEA Receivable (more than 2 years)	5,228,843	5,228,843
Local Consumers	7,149,823	5,743,643
Other Receivables	670,626	2,478,025
Accrued Interest	27,442,536	9,701,807
Retention Receivable	30,000	30,000
Bank Guarantee Margin	129,000	3,791,500
Sulav Co-operative Society Limited	20,340	20,340
Stale Cheque	950,000	525,000
CIT Clearing A/C	-	57,210
PF Clearing A/C	-	14,528
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	10,988,070	10,599,903
BPC Services Limited	6,348,485	5,678,070
Nyadi Hydropower Limited	68,420,209	4,120,410
Keton Hydropower Co. Limited	-	2,354,197
BPC - SILT Joint Venture	851,306	851,306
Kabeli Energy Limited	129,036,819	104,725,544
Total	283,625,622	184,140,402

Cash in Hand and at BankSchedule No. 9
(in NPR)

Particulars	2068/69	2067/68
Office Cash	313,932	578,648
Current Bank A/c	15,785,426	6,343,563
US Dollar A/c	6,095,738	11,226,778
Call/Time/Fixed Deposit	299,529,778	25,914,450
US Dollar Deposit	1,072,183	838,786
Total	322,797,057	44,902,225

Advance & Deposit PaidSchedule No. 10
(in NPR)

Particulars	2068/69	2067/68
Advance Income Tax	59,936,684	27,712,447
Loan & Advance to Staff	83,431	444,052
Gratuity Fund in CIT	89,058,562	80,710,121
Deposits	3,030,696	3,012,196
Various Advances	1,464,785	8,237,017
Rabina Construction/Sharma & Co. JV	5,304,024	8,729,093
Prepaid Insurance Premium	1,000,000	1,000,000
S.N. Power	16,531	293,450
Prepaid Expenses	1,250,915	797,814
SCP Hydro International, Canada	4,639,481	4,639,481
Himalayan Engineering- Osho Hitech J/V	6,484,377	-
Cosmic Electrical Eng. Asso. Pvt. Ltd.	1,659,993	-
Continental Trading Enterprises Pvt. Ltd.	1,977,600	-
Homemaker Pvt. Ltd.	1,049,026	-
Furniture 2000 Pvt. Ltd.	817,892	-
Andhikhola Upgrading Project Advances/Deposits	93,469,061	48,534,464
Deposit against Tax Administrative Review	101,992,910	101,992,910
Government Deposit	1,333,000	1,833,000
Total	374,568,968	287,936,045

Creditors & Accounts Payable

Schedule No. 11
(in NPR)

Particulars	2068/69	2067/68
Sundry Creditors	34,871,856	18,335,309
Gratuity Fund Payable	93,433,220	85,790,357
Bonus Payable	11,400,409	9,777,571
Loyalty Bonus Fund	960,000	768,000
Retention Payable	13,639,172	6,318,337
Audit Fee Payable	226,000	216,960
Royalty Payable	2,106,995	2,446,167
TDS Payable	3,043,393	1,964,601
Dividend Payable	17,281,277	8,877,776
VAT Payable	1,899,296	10,353,715
Share Purchase Price Payable (Keton HP)	-	1,400,000
Employees Accounts Payable	12,194,983	1,600,703
Welfare Fund Clearing A/C	402,681	827,137
CIT Clearing A/C	400	-
Subsidiaries and Joint Venture:		
Nepal Hydro & Electric Limited	275,358	166,597
BPC - HES - WRC Joint Venture	296,981	296,981
Hydroconsult Pvt. Limited	1,775,960	49,108
Total	193,807,980	149,189,320

Advance & Deposit Received

Schedule No. 12
(in NPR)

Particulars	2068/69	2067/68
Customer Deposit	24,850	25,650
Security Deposit	387,129	302,307
Advance Received From NMFA	2,614,989	13,620,306
Advance Received from DDC and VDC	2,340,609	1,376,670
Advance Received From GTL Nepal Pvt. Ltd.	-	1,532,586
Total	5,367,577	16,857,519

Provisions

Schedule No. 13
(in NPR)

Particulars	2068/69	2067/68
Corporate Tax for the Year	43,781,451	38,290,876
Corporate Tax for 2060/61 (under Appeal)	16,774,216	16,774,216
Provision of Loss in Investment	82,553,525	38,761,541
Provision for Expenses	5,694,153	13,303,987
Total	148,803,346	107,130,620

Electricity Sale to Consumers

Schedule No. 14
(in NPR)

Particulars	2068/69	2067/68
Metered Consumers	56,717,195	48,928,909
Unmetered Consumers	428,286	581,970
Industrial Consumers etc.	8,335,626	8,212,715
User's Organization	20,440,620	17,488,634
Total	85,921,727	75,212,228

Electricity Services - Income

Schedule No. 15
(in NPR)

Particulars	2068/69	2067/68
Fee and Charges	1,338,749	1,539,427
Sale of Meter/Cutout & Accessories	4,244,896	7,688,882
Total	5,583,646	9,228,309

Management and Technical Support : Income

Schedule No. 16
(in NPR)

Particulars	2068/69	2067/68
Managemnet Support Service (Nyadi)	3,596,164	3,205,237
Managemnet and Advisory Service (HCPL)	432,089	1,382,131
Management Support Service (Kabeli)	17,162,675	76,289,855
Project Development Fee (Nyadi)	59,942,127	-
Total	81,133,055	80,877,223

Generation Expenses

Schedule No. 17
(in NPR)

Particulars	2068/69	2067/68
Electricity Purchase	33,761,190	16,822,901
Staff Cost	36,197,336	38,295,729
Office Overhead	5,190,579	4,468,575
Vehicle Operation & Maintenance	781,821	942,298
Environment, Community & Mitigation Mitigation (JDMP)	5,246,105	1,296,001
Power Plant Operation & Maintenance	594,519	3,547,564
Deferred Expense - Mitigation Works	12,466,922	10,092,835
Insurance	5,274,980	5,073,064
Royalty	6,649,811	6,948,388
Transmission Line Repair & Maintenance	56,974,968	56,275,233
Expenses Written Off	235,387	463,322
	13,316	269,253
Total	163,386,934	144,495,163

Distribution Expenses

Schedule No. 18
(in NPR)

Particulars	2068/69	2067/68
Staff Cost	27,946,114	28,677,561
Office Overhead	3,862,659	3,589,277
Vehicle Operation & Maintenance	1,824,261	1,399,381
T/L Maintenance	167,439	67,993
D/L Network Operation & Maintenance	11,983,100	9,964,364
Subsidy on sales of meter	301,725	479,250
Cost of Sale	4,022,983	7,254,117
Insurance	451,637	555,420
Royalty	8,592,172	7,521,222
Expenses Written Off	14,763	-
Total	59,166,853	59,508,585

Management and Technical Support : Expenses

Schedule No. 19
(in NPR)

Particulars	2068/69	2067/68
Managemnet Support Service (Nyadi)	3,171,923	2,968,456
Managemnet Support Service (Keton)	-	1,873,838
Managemnet and Advisory Service (HCPL)	-	1,210,189
Management Support Service (Kabeli)	4,565,993	13,503,284
Total	7,737,916	19,555,767

Project Development: Expenses

Schedule No. 20
(in NPR)

Particulars	2068/69	2067/68
Marsyangdi III Project- Keton HP	15,855,647	-
Bhim Khola SHP	-	6,348,618
BPC Distribution Expansion	-	830,689
Demand Side Managemet Study	-	782,047
Due Deligence - Super Madi	-	26,202
Uper Mai khola HP	-	26,510
Total	15,855,647	8,014,066

Administrative Expenses

Schedule No. 21
(in NPR)

Particulars	2068/69	2067/68
A: CEO's Remuneration and Expenses	11,231,185	6,607,021
B: Staff Cost:		
Salary	20,937,255	20,546,218
Allowance	17,862,805	14,620,710
Provident Fund	1,897,226	1,807,638
Paid Leave	5,706,501	5,422,368
Daily Wage	81,632	71,586
Overtime	1,407,162	1,532,271
Gratuity	4,169,111	3,663,115
Insurance	472,707	510,799
Festival Allowance	1,731,140	1,608,065
Performance Allowance	2,715,566	5,647,481
Out Sourcing Service	979,574	703,139
Sub-total	57,960,679	56,133,390
C: Office Overhead:		
General Office Overhead	10,775,811	11,395,529
Training and Development	3,164,803	1,353,532
CSR Expenses	3,101,512	21,549
External Audit Fee and Expenses	341,504	334,588
Internal Audit Fee and Expenses	634,024	566,161
ISO and Other Audit Fee and Expenses	384,433	611,641
Board Meeting Expenses	840,295	556,666
AGM Expenses	369,182	275,315
Vehicle O & M Expenses	377,349	(56,681)
Consultancy Expenses	4,550,450	2,910,587
Legal Expenses	50,550	151,445
Share Registrar/Related Expenses	216,744	182,851
Listing Fee/Renewal Expense	50,000	234,604
Insurance and Property Taxes	1,476,469	1,357,214
Communication Expenses	2,426,006	2,684,033
Travel/Daily Allowance	3,306,335	4,164,367
Union Expenses	470,344	347,408
Write Off Expenses	138,071	118,030
Project License Fee/Renewal	-	50,000
Overhead Charged to Projects	(17,178,244)	(16,496,474)
Sub-total	15,495,639	10,762,365
Total Administrative Expenses	84,687,503	73,502,775

Provision of Loss/(Income) in InvestmentSchedule No. 22
(in NPR)

Particulars	2068/69	2067/68
Khudi Hydropower Limited	4,811,026	(7,432,532)
JIDCO	1,924,714	1,072,102
Kirne HEP	41,556,244	-
Total	48,291,984	(6,360,430)

Other IncomeSchedule No. 23
(in NPR)

Particulars	2068/69	2067/68
Housing Services	137,227	125,136
Guest House Income	171,245	123,645
Income from Other Sources	1,940,988	1,338,264
Personnel Services	-	13,572
Store Services	209	15,898
Equipment on Hire	46,000	58,607
Other General Services	-	116,151
Total	2,295,669	1,791,274

Gain (Loss) on Disposal of Assets & Stock MaterialsSchedule No. 24
(in NPR)

Particulars	2068/69	2067/68
Sale Proceed of Stock Materials	6,587,696	6,675,386
Less: Cost of Stock Materials	(6,587,696)	(6,619,541)
Gain/(Loss) on Sale of Assets/Scrap Materials	147,266	2,239,171
Total	147,266	2,295,016

Significant Accounting Policies and Notes Relating to the Annual Account

for the Fiscal Year 2068/69 (2011/12)

1. Background

Butwal Power Company Limited was established and registered in 2022 (1966) as a private limited company under the Company Act 2021 (1965) by the United Mission to Nepal, Government of Nepal (GoN), Nepal Electricity Authority (NEA), and Nepal Industrial Development Corporation (NIDC) with an aim to develop hydropower projects using appropriate training, technology transfer and human resources. BPC developed and operated 1-MW Tinau project, 5.1-MW Andhikhola project which is being up-graded to 9.4-MW, 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

The financial statements apply to the financial year ended 31st Ashadh 2069 (15th July 2012).

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

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. 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. Revaluation will be done every three years. However, 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 is 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 NPR 10,000 per unit is charged to the profit and loss account in the year of purchase.

C. Depreciation and Amortization

The depreciation of 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. Deferred revenue expenditure is amortized in five years while river training expenses are amortized in three years. Depreciation charge for each period has been recognized in profit and loss account. However, depreciation in respect of revaluation of assets shall be transferred from revaluation reserve.

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 on-going AKHPU and Lower Manang Marsyangdi project and other on-going contractual works are shown as project work in progress.

G. 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.

H. 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. While provisions for gratuity and leave benefit are made in accordance with NAS 14 (IAS 19) 'Employees benefits' together with BPC's gratuity and leave benefit scheme. The gratuity and leave benefit are computed as per actuarial valuation 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.

I. Provision for Employee Bonuses

A 2% bonus on electricity income in line with the provisions of the Electricity Act 2049 and 10% bonus on income from other sources has been provided

J. Asset Retirement

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

K. Changes in Accounting Policies

In the FY 2068/69 the company has adopted actuarial valuation method for employees Gratuity and Leave Benefit Schemes in compliance with NAS 14 (IAS 19).

3. Notes to the Accounts

a. Paid-up Share Capital

After privatization on 15 Magh, 2059 (29 January, 2003), M/s Shangri-La Energy Limited is BPC's majority shareholder with shareholdings of 68.9%. As per the provisions of the Share Sale and Purchase Agreement, Government of Nepal issued (GoN) a 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained a 9.09% shareholding. Similarly, shareholding of IKN Nepal AS, United Mission to Nepal, NEA and NIDC comprise 6.05%, 2.79%, 1.06% and 0.06% respectively. The company is listed and is traded in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). Total paid up capital till the end of FY 2068/69 stands at NPR 1,015,269,400. The closing market price of the share, as on balance sheet date was NPR 577/- per share. The face value is NPR 100/- per share.

The issuance of 3:2 right shares to the shareholders is in process.

b. Effects of changes in accounting policies

i) Surrender of Corporate Office Land to Dhobikhola Corridor Road and dismantling of ancillary Office block: During the FY 2068/69 BPC has surrendered 0-5-1-0 areas of its land located at Corporate Office to Dhobikhola corridor Road and dismantled the ancillary Office Block. The book value of this land 10.32 million including NPR 7.42 million from revaluation reserve has been written off. Similarly, book value of dismantled Office Block amounting to NPR 207,568.78 (after adjustment of proportionate revaluation reserve) has also been

written off. This has resulted reduction in profit by NPR 3.16 million in FY 2068/69.

ii) Recognition of the expenses incurred under employees benefit scheme on an accrual basis

The provision of the expenses NPR 5,664,810

for accumulated leave for the fiscal year has been made as per actuarial valuation.

c. Grant Aid in Reserve

The depreciation on grant aided assets for the year of NPR 10,772,241 has been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation	Closing Balance
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	13,896,457
UMN PCS contributions for rural electrification	1,594,519	25,086,617
USAID grant for rural electrification	1,388,873	15,643,976
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	14,677,625
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	417,570	8,187,544
NFMA Support for Rural Electrification Expansion Project	3,865,186	95,203,001
Local VDC/Community	1,503,196	40,531,853
Total Grant Aid in Reserve	10,772,241	213,227,073
Less: Inventory items under JRP Grant transferred		(874,481)
Total Grant Aided Assets		212,352,592

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.

Name of company	No. of shares	Unit rate (in NPR)	Face value (in NPR)	Cost price (in NPR)	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	2,236,060	100	223,606,000	223,606,000	97.22
Kabeli Energy Limited	540,000	100	54,000,000	54,000,000	54
Hydro-consult Engineering Limited (Previously HCPL)	80,000	100	8,000,000	8,000,000	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	20.0
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	1.61

The equity investment in following companies has been written off during the FY 2068/69:

Name of company	No. of share	Unit rate (in NPR)	Face value (in NPR)	Cost price (in NPR)	Holding (%)	Remarks
Keton Hydropower Limited (42 MW)	144,000	100	14,400,000	14,400,000	90	Project not feasible and Company will eventually be liquidated
Jhimruk Industrial Center (P) Limited (Established on 2054 B.S.)	45,000	100	4,500,000	4,500,000	24.0	Company is in the process of liquidation and all the assets will be handed over to new NGO without any cash consideration

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 previous year's 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 1,192,365,072 has been identified as on previous year's balance sheet date. This surplus is not recognized in the financial statement. There is no material difference in the fair value in the reporting year.

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 2.811 billion worth of electricity in FY 2068/69 and has a net worth of NPR 4.815 billion.

BPC pledged its shares in HPL as collateral in Wilmington Trust Company (WTC), USA, for a loan for the Khimti-I Hydropower Project under separate agreements with HPL, WTC and the lenders. The obligation has terminated as the loan is fully settled and release of share certificates is in process through HPL.

Nepal Hydro & Electric Limited

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholding 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, Alstom Power Norway AS, Butwal Technical Institute and Himal Hydro and General Construction Limited. Shares held by GE Energy has been transferred in the name of IKN Industrial AS (Norwegian company) and Alstom too has already signed Share Purchase Agreement with IKNI to sell its holding in NHE,

subsequent to which a new JVA was executed amongst the shareholders and NHE, which has been recently approved by DoI.

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

The turnover of the company in FY 2068/69 was NPR 434.7 million and its net worth is NPR 225.68 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 of shares with an annual dividend of 2.5% over the interest rate of the principal loan as per Article 1.2.24 of the Shareholders Agreement.

KHL sold NPR 86.446 million worth of electricity in FY 2068/69 and its net worth as of 31 Ashad 2069 was NPR 100.66 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 followed by LEDCO. BPC is planning to hold 51% shareholding and divest remaining shares to other partners. Discussions are going on with IFC and other partners in this regard. The project has optimized installed capacity at 30 MW.

BPC has invested NPR 84,095,300 as share capital in NHL during the year. The project is under PPA finalization stage.

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

* Provisional

(PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW.

BPC has invested NPR 45,900,000 as share capital in KEL during the year. The project is under PPA finalization stage.

Hydro-consult Engineering Limited (Previously HCPL)

The engineering business unit of BPC was merged with HCPL with effect from 1 Shrawan 2066. BPC acquired 80% share of this company by transferring its engineering business assets in HCPL.

Its turnover in FY 2068/69 is NPR 58.78 million and its net worth is NPR 27.72 million.

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 2068/69 is NPR 0.278 million and its net worth is NPR 10.45 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, Kabeli- A, Nyadi Headworks and others.

The turnover of Hydro Lab in this fiscal year was NPR 35.77 million. At the end of the fiscal year its net worth was NPR 48.93 million.

Jumdi Hydropower Private Limited

Jumdi Hydropower Private Limited (JHPL) is established to develop and operate the 1.75 MW Jumdi Khola Small Hydropower Project. Share holders agreement has been signed with Sulabh Co-operative Society Limited in March 2009.

ii. Provision for Loss on Investment

Provision for loss has been 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 has increased by NPR 4,811,026 and accumulated loss in JIDCO increased by NPR 1,924,714. Similarly, hundred percent provisions NPR 41,556,244 has been made for advances towards investment in shares of Kirne HEP since it failed to secure commercially viable PPA. This has resulted reduction in income by NPR 48,291,984.

e) Cash in Hand and at Bank / Bank Overdraft

Cash in hand and in the bank includes a foreign currency balance of US\$ 80,358. 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) Deferred Revenue Expenditure

The details relating to deferred revenue expenditure are given below.

(in NPR)

Particulars	Amount	Remarks
Last year's balance	4,895,495	
Addition for the year		
Jhimruk River training	5,799,087	Shall be written off within 3 years
Mobile Communication	445,000	
Total	11,139,582	
Less amortization		
Jhimruk River training	1,956,877	1/3 Amortisation (3rd year)
Jhimruk River training	1,385,074	1/3 Amortisation (2nd year)
Jhimruk River training	1,933,029	1/3 Amortisation (1st year)
Mobile Communication Expenses	160,349	1/3 Amortisation
Total amortization for the year	5,435,329	
Balance to be amortized	5,704,253	

g. Sale/Purchase of Electricity: Andhikhola Power Plant

Particulars	kWh	Amount (in NPR)
Total electricity generation	38,344,900	
Total sales	38,624,887	
Sale to NEA	23,015,024	97,123,399
Sale to local consumers	15,609,863	64,675,247
Internal consumption	151,466	
Transit loss	3,943,178	
Purchase from NEA	(5,026,680)	(21,212,589)

h. Sale/Purchase of Electricity: Jhimruk Power Plant

Particulars	KWH	Amount (in NPR)
Total electricity generation	65,204,454	
Total sales	60,780,186	
Sale to NEA	57,331,195	335,387,488
Sale to local consumers	3,448,991	21,246,480
Internal consumption	247,870	
Transit loss	2,289,034	
Purchase from NEA	(2,145,060)	(12,548,601)

i. Administrative Expenses

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

j. Dividend Income

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

Name of Company	US Dollar	Equivalent NPR
Himal Power Limited	4,553,122	374,956,929
Total		374,956,929

BPC has followed the policy to recognize dividend income when the right to receive of such payment is established.

k. Provision for Corporate Tax

Tax provision has been made on income from Jhimruk Power Plant, Andhikhola Power Plant 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
Jhimruk Center	141,306,101	25,435,098
Andhikhola Center	25,908,204	4,663,477
Other Sources	54,731,503	13,682,876
Total	221,945,808	43,781,451

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

l. 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	Items/Services procured
Mercantile Communications (P) Ltd	1,093,049	Proprietary VSAT service,

m. 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.	22,102,932	148,843		(275,358)
Khudi Hydropower Limited			20,350,000	10,988,070
BPC Services Limited	1,264			6,348,485
Nyadi Hydropower Limited		71,798,269		68,420,209
Hydro-consult Private Limited	15,483,822	488,261	1,422,656	(1,775,960)
Kabeli Energy Limited		19,393,823	106,233,632	129,036,819
Total	37,588,018	91,829,196	128,006,288	212,742,265

n. 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.

o. REEP and the JDMP Project under Financial Support of Norwegian Ministry of Foreign Affairs

BPC signed an agreement with the NMFA on 30 November, 2006, to avail the Norwegian Government's support for rural electrification and for the mitigation of the impact of diverting water to the Jhimruk power plant in downstream areas. The status of this support as on balance sheet date is as follows.

(in NPR)

Particulars	Contributions			Total
	NMFA	BPC	Community Contribution	
Fund received during the year	-			
Interest earned	273,645			
Total NMFA Grant for the year	273,645			
Funds used (expenditure)				
REEP	9,197,877	3,659,094	-	12,856,971
JDMP	2,081,085	594,519	7,026,000	9,701,604
Fund used for the year	11,278,962	4,253,613	7,026,000	22,558,575
Fund surplus for the year	(11,005,317)			
Fund balance b/f	13,620,306			
Total NMFA Fund balance	2,614,989			

BPC will retain ownership of the extended distribution system (REEP), but ownership of the infrastructure project (JDMP) will be transferred to the local community after the project is completed (as per clause 3.1 of the REEP final inception report and clause 5.1 of the JDMP final inception report approved by NMFA on 10 September, 2007). The total costs under REEP of NPR 11,855,975 (including BPC's contribution of NPR 3,374,210) is capitalized; the NMFA portion of JDMP, NPR 2,081,085 has been adjusted from advance received from NMFA and the BPC portion of JDMP, NPR 594,519 has been written off as a part of mitigation expenses. Community contribution is shown both as income and expenses in line with the grant provision.

p. Contingent Tax Liability

As per the tax assessment notices received from the Large Taxpayers Office of the GoN, the company has been imposed additional tax liabilities. The company has filed appeal against the assessment orders, the status of which is as under:

(in NPR)

Period	Additional Tax Liability	Status of Appeal
FY 2059/60		
2059.4.1 to 2059.10.14	237,891,365	On our appeal IRD conducted administrative review of the case and advised LTPO to reassess the tax. LTPO is in process of revisiting tax assessment as per the decision of IRD
2059.10.15 to 2060.3.32	9,446	Case filed to Revenue Tribunal
FY 2060/61	17,749,128	Case filed to Revenue Tribunal
Total	255,649,939	

The tax assessment for fiscal year 2064/65 has been completed.

q. Deferred Tax

Deferred tax is calculated as per Nepal Accounting Standard (NAS). The liability of NPR 13.4 million arising from the calculation of deferred tax because of temporary timing differences has been shown in the balance sheet separately as deferred tax liabilities.

r. Capital Commitments

i. 37-MW Kabeli-A Hydropower Project (KAHEP)

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

BPC's part of capital commitment on this project is NPR 1,015 million for 54% share holding.

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). BPC owns 97.22% of NHL shares.

BPC's part of capital commitment on this project is NPR 931 million for 51% shareholding after setting aside shares for locals/public and other promoter groups.

iii. 140-MW Lower Manang Marsyangdi Hydropower Project

The project has been optimized for 140 MW capacity. The project is located in Tache bagar and Dharapani VDC of Manang VDC of Manang District. Detail feasibility study has been completed and the project is in the stage of detail design. NPR 104 million has been spent by the company as on reporting date.

iv. Kirne Hydro-Electric Project

BPC is one of the partners to develop jointly 60 MW Kirne hydro-electric project with SN Power. BPC has planned to invest for 16.88% shareholding in this project as agreed among the partners and invested NPR 41.56 million till the reporting date. Since SN Power

has initiated to halt their business expansion plans in Nepal and failed to secure commercially viable PPA for this project, 100% provision has been made in FY 2068/69.

v. 9.4 MW Andhikhola Upgrading Project

The existing 5.1 MW Andhikhola hydro-electric plant, located in Syangja district, is in the process of upgradation to 9.4 MW. The project is under construction stage after generation license for the construction of upgrading has been received and PPA has been signed with NEA. The project is being financed by IFC and Local banks. Loan agreement with IFC for USD 6.5 million was signed in May 2010 and for additional loan of USD 2.5 million necessary processes is in progress. NPR 300 million is being availed from Mega Bank Limited. Till the end of FY 2068/69 NPR 243 million has been spent in the project.

s. Tenure of the License of Existing Power Plants

The tenure of the license of 5.1 MW Andhikhola and 12 MW Jhimruk Power Plant for generation, transmission and distribution shall end in Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

4. Event after the Balance Sheet Date

Proposed Dividend

The board of directors has proposed to declare 25% dividend on paid up capital from the net profit of the fiscal year 2068/69. The total amount of dividend NPR 253,817,350 shall be payable after the approval of 20th annual general meeting. 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 – 5 (12).

5. Figures of the previous year and rounding off

The figures of FY 2067/68 have been regrouped and reclassified wherever necessary to make comparison with the figures of FY 2068/69. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.




consolidated
financial statements
2012

Consolidated Balance Sheet

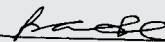
As on 31st Ashadh 2069 (15th July 2012)


(in NPR)

Particulars	2068/69	2067/68
Sources of Fund		
Share Capital		
Equity Share Capital	1,015,269,400	1,015,269,400
Reserve & Surplus		
General Reserve	148,700,000	148,700,000
Revaluation Reserve	692,606,917	719,737,000
Retained Earnings	807,314,428	633,673,635
Non Controlling Interest	164,399,424	148,909,552
Total Shareholder's Fund	2,828,290,170	2,666,289,586
Grant Aid in Reserve	218,598,301	211,365,790
Other Funds	9,815,412	8,270,933
Mid Term & Long Term Debt	787,754,526	367,142,518
Advance Toward Share Capital	1,250,000	5,719,947
Total Other Funds	1,017,418,238	592,499,188
TOTAL	3,845,708,408	3,258,788,774
Application of Fund		
Fixed Assets:		
Gross Block	3,191,147,357	3,097,852,859
Less: Depreciation	1,038,463,503	958,665,302
Net Fixed Assets	2,152,683,855	2,139,187,557
Work in Progress	989,878,883	573,442,530
Investment in Shares	492,262,527	557,007,505
Current Assets		
Cash in Hand and at Bank	336,410,894	69,737,348
Advances & Deposits	445,901,777	351,666,246
Debtors & Accounts Receivable	335,486,769	298,687,552
Inventories	123,097,925	201,486,524
Total Current Assets	1,240,897,365	921,577,669
Deferred Tax Liability	13,441,928	-
Less: Current Liabilities		
Creditors & Other Payables	435,650,649	513,310,188
Short-term Loan	391,996,293	239,194,130
Advance & Deposit received	15,781,434	80,623,668
Provisions	198,969,480	144,956,935
Total Current Liabilities	1,042,397,855	978,084,921
Net Current Assets	198,499,510	(56,507,252)
Pre-Operating Cost	5,886,053	27,381,656
Deferred Revenue Expenditure	5,704,253	4,895,496
Deferred Tax Assets	14,235,256	13,381,282
TOTAL	3,845,708,408	3,258,788,774


Radheshyam Shrestha
 Vice President, Finance


Ranjan Lohar
 Chief Executive Officer


Pratap Prasad Pradhan
 PP Pradhan & Co.
 Chartered Accountants




Consolidated Profit and Loss Account

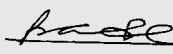
For the year ended 31st Ashadh 2069 (15th July 2012)


(in NPR)

Particulars	2068/69	2067/68
OPERATING INCOME		
Sale Revenue/ Consultancy Service	1,111,962,717	1,141,506,146
Total Operating Income	1,111,962,717	1,141,506,146
Operating Expenses		
Power Plant Expenses/ Expenses/ Cost of Sale	634,094,250	672,932,779
Total Operating Expenses	634,094,250	672,932,779
Gross Profit/ (Loss)	477,868,467	468,573,367
Administrative Expenses	162,656,678	143,923,553
Depreciation Expenses	104,986,783	98,783,877
Amortization Expenses	3,097,984	8,300,552
Provision of Loss in Investment	48,291,984	(6,360,430)
Interest Expenses	90,552,309	82,142,850
Provision for Doubtful Debt	1,307,178	-
Total Administrative and Other Expenses	410,892,915	326,790,402
Income from Other Sources		
Interest Income	35,732,281	17,279,558
Other Income	4,174,726	1,926,608
Depreciation Being Revenue Portion of Grant Aid	10,772,241	9,407,824
Dividend Income	374,956,929	164,265,280
Foreign Currency Exchange (Loss)/Gain	7,996,111	(477,008)
Non operating income	12,504,691	10,610,365
Gain(Loss) on Sale of Assets & Scrap Materials	147,266	2,265,064
Total Income from Other Sources	446,284,244	205,277,691
Profit (Loss) Before Bonus & Tax	513,259,796	347,060,656
Share of profit from Associates	1,597,291	1,035,231
Deferred Tax Expenses / (Income)	13,142,396	(2,262,270)
Provision for Employee's Bonus	15,360,095	13,301,809
Provision for Housing	1,542,499	1,217,783
Provision for Corporate Tax	53,792,455	47,405,919
Net Profit (Loss) Before Appropriation	431,019,641	288,432,646
Non Controlling Interest	8,311,082	6,810,575
Net Profit (Loss) for the Year	422,708,559	281,622,071


Radheshyam Shrestha
 Vice President, Finance


Ranjan Lohar
 Chief Executive Officer


Pratap Prasad Pradhan
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 Chartered Accountants




Consolidated Cash Flow Statement

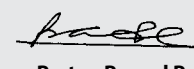
For the year ended 31st Ashadh 2069 (15th July 2012)


(in NPR)

Particulars	2068/69	2067/68
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	509,459,839	406,973,995
Adjustment for:		
Ordinary Depreciation	95,646,295	98,417,938
Depreciation Charged to Grant Aid in Reserve	10,772,241	9,407,824
Foreign Currency Exchange (Gain)/Loss	(8,656,603)	4,283,426
Interest Expenses	90,552,309	82,142,850
Interest Income	(77,830,771)	(58,894,815)
Dividend Income	(374,956,929)	(164,265,280)
Provision on Loss/(income) in Investment	43,791,984	(6,360,430)
Provision for Expenses	7,380,490	14,482,498
(Gain)/Loss on disposal of Stock	(147,266)	(2,265,064)
Deferred Revenue Expenses	(808,758)	749,372
Written off of Assets	25,292,846	1,037,608
Reverse of other Income	(583,672)	-
Operating Profit before Working Capital Changes	319,912,006	385,709,921
Decrease/(Increase) in Debtors & Accounts Receivable	(168,989,055)	(140,328,764)
Decrease/(Increase) in Stocks	48,382,689	22,352,468
Decrease/(Increase) in Advance & Deposit Paid	(55,993,261)	(23,876,457)
Increase/(Decrease) in Creditors & Accounts Payable	105,337,439	164,225,844
Increase/(Decrease) in Advance & Deposit Received	(10,889,942)	22,397,221
Increase/(Decrease) in Work in Progress	30,153,176	(55,756,056)
Cash Generated from Operations	(51,998,953)	(10,985,744)
Interest Paid	(35,789,173)	(25,240,413)
Foreign Currency Exchange Gain/(Loss)	8,756,999	(4,283,426)
Bonus Paid	(13,254,900)	(5,602,232)
Payment of Leave/Gratuity/Welfare Fund	(3,640,099)	-
Tax Paid	(85,150,337)	(28,651,678)
Prior year Adjustment	2,669,006	(737,231)
Net Cash Flows from Operating Activities (A)	141,504,547	310,209,197
Cash Flows from Investing Activities:		
Purchase of Fixed Assets/Capitalization of WIP	(166,619,055)	(143,655,101)
Investment in Share	(148,466,633)	(125,642,158)
Decrease/(Increase) in Work-in-Progress	(419,237,966)	(306,794,133)
Interest Received	36,622,008	17,436,123
Dividend Received	374,956,929	164,265,280
Proceeds from sales & write off of Fixed Assets	-	447,270
Net Cash Flows from Investing Activities (B)	(322,744,717)	(393,942,718)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Grant Aid in Reserve/ Fund	7,041,688	33,549,362
Issue of share capital	157,030,000	12,538,856
Increase/(Decrease) in Long Term Loan	420,612,008	28,165,030
Increase/(Decrease) in Short Term Loan	122,309,629	14,305,550
Dividend Paid	(245,413,850)	(178,672,251)
Interest Expenses	(13,467,879)	(15,443,745)
Net Cash Flows from Financing Activities (C)	448,111,597	(105,557,198)
Net Changes in Cash & Cash Equivalents (A+B+C)	266,871,427	(189,290,719)
Opening Cash and Cash Equivalents	69,539,466	259,028,067
Closing Cash and Cash Equivalents	336,410,894	69,737,348


Radheshyam Shrestha
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Statement of Changes in Equity

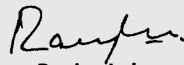
For the year ended 31st Ashadh 2069 (15th July 2012)

(in NPR)

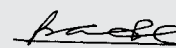
Particulars	Share Capital	Revaluation Reserve	General Reserve	Non controlling interest	Retained Earning	Total
Balance as on 1st Shrawan 2068	1,015,269,400	719,737,000	148,700,000	148,909,552	633,673,635	2,666,289,587
Profit for the year					431,019,641	431,019,641
Adjustment for the Year		(27,130,083)			1,884,078	(25,246,005)
Additional Share of Non Controlling Interest				15,489,873		15,489,873
Withdrawn by Non controlling interest					(8,311,082)	(8,311,082)
Dividend Paid					(253,817,350)	(253,817,350)
Prior Year's Adjustment					2,865,506	2,865,506
Balance As on 31 Ashad 2069	1,015,269,400	692,606,917	148,700,000	164,399,424	807,314,428	2,828,290,170



Radheshyam Shrestha
Vice President, Finance



Ranjan Lohar
Chief Executive Officer



Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants



Notes to the Consolidated Financial Statement

for the Fiscal Year 2068/69

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 International Financial Reporting Standards (IFRS) and Nepal Accounting Standard (NAS). They have been prepared under the historical cost convention.

2.2 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 of accounting 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, ex-

penses 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.

(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.

2.3 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.

(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.

2.4 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.

2.5 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.

2.6 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, and bank overdrafts.

2.7 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in

equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

2.8 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 to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

2.9 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. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) Dividend income

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

2.10 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.11 Write off of Keton Hydropower Limited

During the FY 2068/69 the Company has made write

off of Keton Hydropower Limited vide 243rd Board of Director Meeting dated 14th October 2012 due to non viability of the project. Therefore, balance as outstanding in the books of accounts was nullified and same has not been presented in the consolidated financial statements.

2.12 Figures of the previous year and rounding off

The figures of the FY 2067/68 have been regrouped and reclassified wherever necessary to make comparison with the figure of FY 2068/69. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Balance Sheet of Subsidiaries

As on 31st Ashadh 2069 (15th July 2012)

(in NPR)

Particulars	Khudi	Nyadi	Kabeli	NHE	BPCSL	Hydro Consult
Sources of Fund						
Share Capital						
Equity Share Capital	84,000,000	230,000,000	65,369,946	139,530,000	10,000,000	10,000,000
Preference Share Capital	81,650,000	-	-	-	-	-
Reserve & Surplus	(64,984,349)	-	-	86,147,904	459,043	17,717,268
Total Shareholder's Fund	100,665,651	230,000,000	65,369,946	225,677,904	10,459,043	27,717,268
Other Funds						
Mid Term & Long Term Debt	250,955,069	-	-	-	-	-
Advance Toward Share Capital Funds	-	-	111,913,632	-	-	1,422,656
				9,815,412		
Total Other Funds	250,955,069	-	111,913,632	9,815,412	-	1,422,656
TOTAL	351,620,720	230,000,000	177,283,578	235,493,315	10,459,043	29,139,924
Application of Fund						
Fixed Assets:						
Gross Block	583,105,794	7,860,925	17,990,382	272,198,984	249,051	16,850,890
Less: Depreciation	134,827,729	2,593,748	2,210,345	141,776,697	159,250	7,391,706
Net Fixed Assets	448,278,065	5,267,177	15,780,037	130,422,287	89,801	9,459,184
Capital/ Project work in Progress	49,268	304,305,135	310,909,367	38,073,278	-	2,548,831
Investment in Shares	840,000	-	-	-	-	-
Current Assets						
Cash in Hand and at Bank	1,158,855	330,705	3,860,039	5,280,160	269,058	2,715,020
Advances & Deposits	3,007,097	757,859	5,007,523	55,428,510	597,509	6,534,310
Debtors & Accounts Receivable	13,958,991	9,754,957	-	243,021,051	20,489,275	30,046,815
Inventories	-	-	-	80,241,388	-	-
Total Current Assets	18,124,942	10,843,521	8,867,562	383,971,109	21,355,842	39,296,145
Less: Current Liabilities						
Creditors & Other Payables	129,681,719	90,165,234	158,273,389	136,503,731	8,915,541	4,873,910
Short-term Loan	-	-	-	146,974,509	-	-
Advance & Deposit received	-	-	-	-	600,000	9,813,857
Provisions	-	250,599	-	40,523,798	1,471,059	7,776,001
Total Current Liabilities	129,681,719	90,415,833	158,273,389	324,002,039	10,986,600	22,463,768
Net Current Assets	(111,556,777)	(79,572,312)	(149,405,827)	59,969,070	10,369,242	16,832,377
Pre-Operating/Preliminary Expenses	5,886,053	-	-	-	-	-
Deferred Tax Assets	8,124,111	-	-	7,028,680	-	299,532
TOTAL	351,620,720	230,000,000	177,283,578	235,493,315	10,459,043	29,139,924

Profit & Loss Account of Subsidiaries

For the year ended 31st Ashadh 2069 (15th July 2012)

(in NPR)

Particulars	Khudi	NHE	BPCSL	Hydro Consult
Operating Income				
Sale Revenue/ Consultancy Service	86,446,410	434,700,173	278,082	58,783,876
Total Operating Income	86,446,410	434,700,173	278,082	58,783,876
Operating Expenses				
Power Plant Expenses/ Expenses/ Cost of Sale	11,535,981	337,730,912	813,294	37,866,714
Total Operating Expenses	11,535,981	337,730,912	813,294	37,866,714
Gross Profit/ (Loss)	74,910,430	96,969,261	(535,212)	20,917,162
Administrative Expenses	15,838,510	53,430,177	-	8,941,403
Depreciation/Amortization Expenses	26,232,880	10,960,235	39,934	3,017,154
Interest Expenses	41,208,763	13,467,879	86,493	-
Provision for Doubtful Debt	-	-	1,307,178	-
Total Administrative and Other Expenses	83,280,153	77,858,290	1,433,605	11,958,557
Income from Other Sources				
Interest Income	-	-	1,317,164	1,629,309
Other Income	1,213,509	-	-	665,548
Foreign Currency Exchange (Loss)/Gain	(8,187)	(765,676)	-	-
Non operating income	-	12,504,691	-	-
Total Income from Other Sources	1,205,322	11,739,015	1,317,164	2,294,856
Profit (Loss) Before Bonus & Tax	(7,164,402)	30,849,985	(651,654)	11,253,462
Deferred Tax Expenses / (Income)	(1,217,067)	-	-	(299,532)
Provision for Employee's Bonus	-	2,664,317	-	1,023,042
Provision for Housing	-	1,542,499	-	-
Provision for Corporate Tax	-	7,109,667	163,881	2,306,054
Net Profit (Loss) Before Appropriation	(5,947,335)	19,533,502	(815,535)	8,223,898
Profit & Loss Appropriation Account				
Last Year Balance	(59,877,014)	66,614,402	1,274,578	9,493,370
Profit/(Loss) for the financial year	(5,947,335)	19,533,502	(815,535)	8,223,898
Balance Transferred to Balance Sheet	(65,824,349)	86,147,904	459,043	17,717,268

List of Abbreviations

BPC	Butwal Power Company Limited
BOOT	Build, Own, Operate and Transfer
FY	Fiscal year (Shrawan to Ashad B.S.)
DoI	Department of Industry
DoED	Department of Electricity Development
EPS	Earning Per Share
GON	Government of Nepal
HCPL	Hydro Consult Pvt. Limited
HES	Hydro Engineering Services (P) Limited
HPL	Himal Power Limited
IKN	Interkraft AS. Norway
IRD	Inland Revenue Department
JRP	Jhimruk Rehabilitation Project
JDMP	Jhimruk Downstream Mitigation Project
KHL	Khudi Hydropower Limited
LTPO	Large Tax Payers Office
NHL	Nyadi Hydro Power Limited
NMFA	Norwegian Ministry of Foreign Affairs
MOWR	Ministry of Water Resources
NEA	Nepal Electricity Authority
NORAD	Norwegian Agency for Development Cooperation
NPR.	Nepalese rupees
PEEDA	People, Energy and Environment Development Association
PPA	Power Purchase Agreement
REEP	Rural Electrification and Expansion Project
REGDAN	Rural Electrification Global Development Alliance of Nepal
SEBON	Security Exchange Board of Nepal
SEL	Shangri-La Energy Limited
SLREC	South Lalitpur Rural Electric Co-operative Limited
UMN	United Mission to Nepal
USAID	United States Agency for International Development
WIP	Work in Progress
WRC	Water Resources Consult (P) Ltd.
WTC	Wilmington Trust Company, USA



CORPORATE OFFICE

P.O. Box. 11728
Gangadevi Marga - 313, Buddha Nagar
Kathmandu, Nepal
Tel: 977-1-4781776, 4784026
Fax: 977-1-4780994
E-mail: info@bpc.com.np

JHIMRUK HYDROELECTRIC CENTER

Darimchaur, Pyuthan
Tel: 994860105
Fax: 994860104

ANDHIKOLA HYDROELECTRIC CENTER

Galyang, Syangja
Tel: 977-063-460152
Fax: 977-063-460152

LIASON OFFICE

Campus Road, Butwal
Tel: 977-071-540809
Fax: 977-071-541058

www.bpc.com.np



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