



Annual **Report** | 2013



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Financial Statements

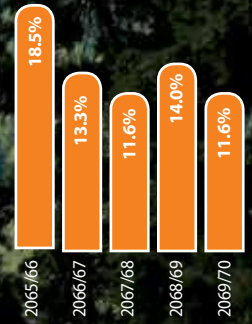
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HIGHLIGHTS OF THE YEAR

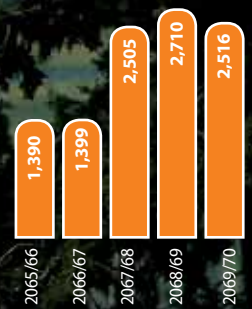
- Contributed of **2.4%** to the total domestic hydro generation in the country
- Supplied electricity to **42,578** consumers in the country, i.e. **1.64%** of total national consumers connected to INPS
- Recorded the highest annual energy generation of **68.2 GWh** at Jhimruk Plant
- Signed CBA Agreement to boost industrial peace and maintain sustainable working environment

Financial Highlights

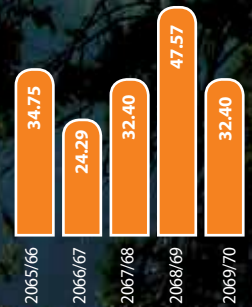
RETURN ON ASSETS



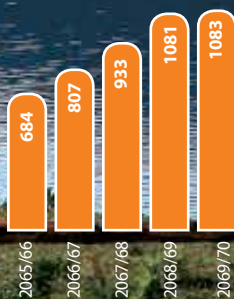
NET WORTH (In NPR Million)



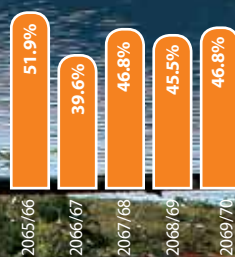
EARNING PER SHARE (In NPR)



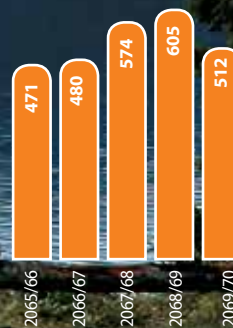
INVESTMENT (In NPR Million)



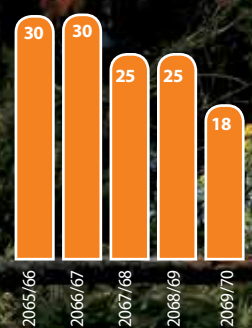
OPERATING PROFIT MARGIN



REVENUE (In NPR Million)



DIVIDEND PER SHARE (In NPR)



Company Profile

Butwal Power Company (BPC) Limited 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 electromechanical 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. Currently, the 5.1 MW Andhikhola Plant is being upgraded to 9.4 MW and is in the final stages of construction. BPC owns majority stake in Khudi hydropower plant (4 MW). It is also developing two hydropower projects namely Nyadi and Kabeli A, with combined capacity of 68 MW, through separate SPVs.

BPC's another project namely Lower Manang Marsyangdi Hydropower Project (140 MW), located in southern region of Manang District, is in the preparatory phase.

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 with some other partners 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, 14001:2004 and 18001:2007 certified company

Corporate Information

Name: Butwal Power Company Limited

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

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

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

Date of Privatisation: 3 January, 2003 (2059/09/19 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: SR Pandey & Co, Chartered Accountants

Internal Auditor: Kuber & Co., Chartered Accountants

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

Vision, Mission and Values

VISION

“To be a leading enterprise in power sector with excellence in providing innovative and quality products and services to meet the growing demand for efficient and clean energy.”

MISSION

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

VALUES

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

INTEGRATED QUALITY & ENVIRONMENTAL POLICY

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

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

Board of Directors



Standing (L- R)

Mr. Sanjib Rajbhandari, Alternate Director
Mr. Om Prakash Shrestha, Alternate Director
Mr. Nabin Raj Singh, Director
Mr. Rajib Rajbhandari, Alternate Director
Mr. Bijaya Krishna Shrestha, Director
Mr. Bijay Bahadur Shrestha, Director

Sitting (L- R)

Mr. Chandi Prasad Shrestha, Director
Mr. Padma Jyoti, Chairman
Mr. Pradeep Kumar Shrestha, Director
Mr. Ratna Sansar Shrestha, FCA, Director



Chairman's Message

The true potential of hydropower sector and the unlimited opportunities it presents to the Nepalese economy is well understood by everyone with an interest in our nation's development. The shortage of power is one of the key supply-side constraints that have had an adverse impact in all facets of the economy, with many of the industries losing their competitive advantage and struggling to stay afloat. The demand for reliable electricity supply is undeniable and there are opportunities for enterprises, both private and state-owned, to step in and provide the much needed boost to our economy. However, the actual progress that is being made in the sector has not been very encouraging; with a few key challenges still needing some expeditious facilitation.

FY 2069-70 saw an addition of about 41 MW to the INPS, which can be considered quite encouraging compared to previous years. However, the demand-supply gap further widened with the peak demand in the system increasing by 9% to 1095 MW. The year experienced inflation in the range of 9-10%, and this factor coupled with the devaluation of our currency is making the projects more expensive to undertake, thus providing additional challenge to the promoters.

BPC has been working diligently to prepare the projects in its basket in a balanced and prudent manner such that issues pertaining to technical, social, environmental and statutory aspects are well accounted for and necessary plans drawn accordingly to ensure success in its implementation. The Andhikhola Upgrading Project, though delayed due to unavoidable technical issues, will come into commercial operation during current fiscal year and this is

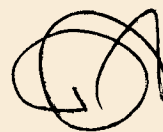
expected to boost the financials of the company for many years to come. The overall financial performance of the group has been satisfactory and is expected to further enhance in the year ahead.

The inclusion of hydropower development as top priority in the GoN's Thirteenth Three Year Plan to ensure an annual average growth rate of 6% in the Nepalese economy, and subsequent allocation of budget in the current fiscal plan, is a very positive sign of intent by the Government. Moreover, with the conclusion of the second Constitution Assembly Polls and expectation of certain stability at the higher echelons of nation's leadership has boosted the confidence of the investors as highlighted by the bullish trend in NEPSE. Also, the recent news of significant rise in FDI pledges in hydropower sector is a healthy indication of increasing growth in the energy sector.

Various international organizations like World Bank, IFC, MFA Norway and InfraCo Asia have been involved with our projects and have been helping to create value and achieve sustainable development. We value their association and hope to continue collaboration in the upcoming days in varying capacity in development of our projects.

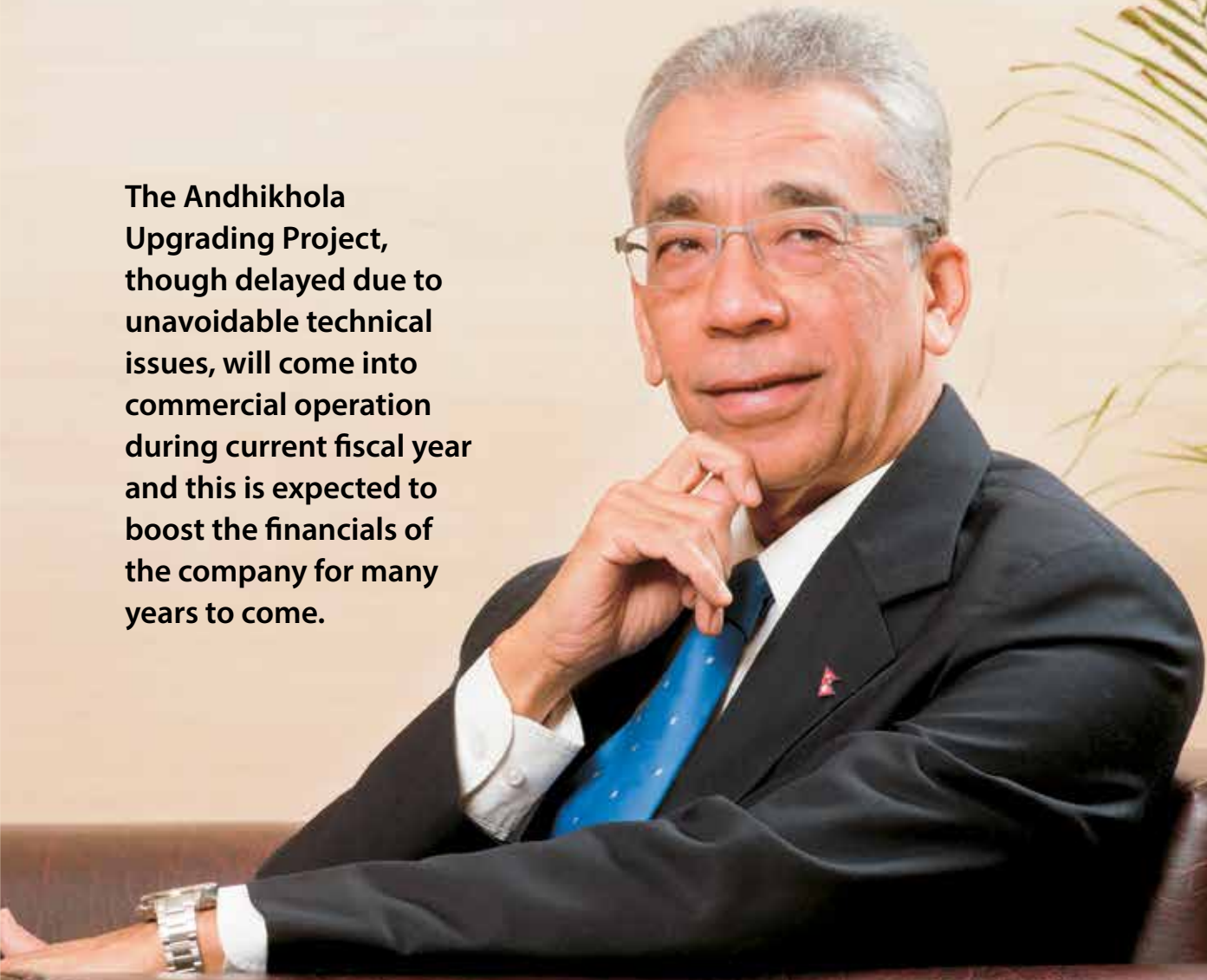
Though the progress in our projects has not entirely been as expected, we plan to catch up with our expansion plans with continued effort despite the prevailing stagnant business environment.

With unwavering faith and support from our shareholders and Team BPC, we are confident of BPC's future.



Padma Jyoti
Chairman

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years to come.**



Report from Board of Directors

Dear Shareholders,

I welcome all of you on behalf of the Board of Directors to this gathering of 21st AGM of Butwal Power Company. It is the immense pleasure of your Board in presenting the annual report and the audited statements of accounts of the company for the year ending July 15, 2013.

Financial Performance

The Company posted a turnover of NPR 512 million during the fiscal year, registering a decrease of 15.4%.

The profit before bonus and tax registered a decrease of 51.1% compared to previous year from NPR 552.1 million to NPR 269.8 million. The net profit after bonus and tax decreased to NPR 243.88 million from NPR 483.5 million, a decline of 49.6% compared to the previous year. The financial highlight of the company is briefly summarized below. The decline in profit is mainly attributed to the shutdown of Ankhikhola Plant for upgrading works and decrease in the dividend income.

Business Operations

GENERATION BUSINESS

A total of 82.19 GWh energy generations was recorded during the FY 2069-70 with an average annual plant factor of 68.04%. The 5.1 MW Ankhikhola Power Plant was shut down for Upgrading Works from 6th Mangsir 2069 which caused the reduction in total generation as compared to last fiscal year. Further, 23.09 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during plant outages and meet the need for construction. Out of the total energy available, 75.1% was supplied to NEA, 22.7% was utilized to cater to the local demand through BPC distribution, and self-consumption, system losses, and construction works accounted for the rest.

FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

PARTICULARS	FY 2069-70	FY 2068-69
Income from the bulk sale of electricity	409.0	432.5
Income from the retail sale of electricity and services	103.1	91.5
Income from management and technical services	-	81.1
Total operating income	512.1	605.1
Operating expenses	311.2	246.1
Gross operating profit	201.0	359.0
Other income	296.2	429.7
Administrative and other expenses	227.3	236.6
Net profit	243.9	483.5
Earnings per share (in NPR)	24.0	47.6
Net worth	2,516	2,710

Andhikhola Plant generated 14.01 GWh up to 5th Mangsir 2069 with a plant factor of 89.43 %. The Plant was shut down for upgrading works from 6th Mangsir 2069. The total available energy, including an import of 21.48 GWh, was 35.5 GWh for the plant. A total of 15.53 GWh was supplied to NEA and 19.38 GWh was supplied to local distribution from the total available energy, while the remaining accounted for self-consumption, construction works and system losses.

Jhimruk Plant generated 68.17 GWh with plant factor of 64.85 %, an increase of 4.55 % compared to previous year. Additional 1.6 GWh was imported from NEA which makes the total available energy of 69.8 GWh. A total of 63.5 GWh was supplied from Jhimruk Plant to NEA, which is 8.5 GWh in excess of the contract energy, and 4.5 GWh was supplied to local distribution from the total available energy, while the rest accounted for self-consumption and system losses.

The old equipment of Andhikhola and the fragile 33 KV grid connection continued to provide considerable challenge towards maximizing energy generation and sale. To overcome this problem, upgrading of power plant is being carried out. New machine and equipment will be installed in the power plant and after the works are over, the plant will run on upgraded capacity of 9.4 MW. 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.

The Power Purchase Agreement with NEA, for sale of energy from our operating plants, expired at the end of FY 2069-70. Active negotiations are ongoing with NEA to secure a favourable PPA, which is expected to conclude shortly.

DISTRIBUTION BUSINESS

The local distribution network spread across Syangja, Palpa, Pyuthan and Arghakhanchi continued to grow, registering an addition of 3026 consumers in the FY 2069-70. Total number

of consumers as on end FY 2069-70 stood at 42,578. A total of 23.91 GWh was purchased to cater the growing demand, an increment of 4.5% compared to the previous year. Of the total energy purchased, 19.64 GWh was sold to retail customers, and of the balance, 4.21 GWh and 0.058 GWh are accounted for distribution losses and internal consumption respectively. There was an increase of 3% in total energy sale compared to previous year.

Out of 19.64 GWh sold to retail customers, 16.379 GWh (83.4%) was sold to metered consumers, 0.834 GWh (4.2%) to unmetered or cut-out consumers, and 2.427 GWh (12.4%) to industrial consumers¹. 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 515 cut-out customers were converted into metered customers.

Total revenue collected this year was NPR 94.75 million, an increase of 9.3% compared to last year. Out of which NPR 14.25 million (15.0%) was collected from industry, NPR 78.28 million (82.6%) from metered consumers, and NPR 2.22 million (2.3%) from unmetered consumers.

Operating Subsidiaries and Associates

Himal Power Limited (HPL) owns and operates the 60 MW Khimti Hydropower Project, which began commercial operation on July 5, 2000. It registered a net profit of NPR 2.41 billion during the FY 2069-70. BPC received NPR 241 million as dividend during FY 2069-70 from HPL. The net worth of HPL as on July 15, 2013 was NPR 4.86 billion.

Hydro-Consult Engineering Ltd. (HCE), 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.

HCE maintained its financial performance in line with previous year. In FY 2069-70, the company

1. This category includes irrigation and drinking water along with small cottage industry.

posted revenue of NPR 59.59 million from consultancy services. The total revenue increased by 1.36% compared to the corresponding figure of previous year. The net profit after tax is reported at NPR 5.6 million. The shareholders' fund and net worth of the company has risen to NPR 35.06 million from NPR 27.72 million, registering an increment of 26.5%.

Nepal Hydro & Electric Ltd. (NHE), established in 1985, manufactures and refurbishes hydro-mechanical equipment and is the leader in repairs of electromechanical equipment in Nepal. The other product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges. During the year, ALSTOM (Norway) AS sold its shares in the company to IKNI, Norway following the approval of SPA by DoI, which was signed between the two companies previously. This transfer of shares has been duly registered with and endorsed by the Office of Company Registrar.

The company recorded a turnover of NPR 451 million and registered a net profit of NPR 6.16 million in the FY 2069-70, a decrease of 68.47% compared to previous year. The net worth of NHE as of July 15, 2013 is NPR 225.7 million.

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

Khudi Hydropower Plant supplied 22.95 GWh to the national grid in the FY 2069-70, an increase of 12.2% over previous year. Total revenue of NPR 96.1 million has been generated during the fiscal year. This is the highest ever recorded revenue generation since its operation, which is 11.2% increase over the previous year. The financial situation of KHL is gradually improving.

Hydro Lab Pvt. Ltd. (HLPL) was established in 1998 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratory at HLPL are equipped with state of the art equipment and the company has accumulated extensive experience in hydraulic river model studies

including hydraulic structures and sediment analysis.

HLPL's turnover was NPR 40.1 million in the FY 2069-70 and it recorded a net profit of NPR 16.1 million. The net worth of HLPL during the year was NPR 65 million.

BPC Services Ltd. (BPCSL), 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 1.12 million in the FY 2069-70. The net worth of BPCSL as on July 15, 2013 stands at NPR 9.77 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 (IFC) and Mega Bank Ltd. Previously, the commissioning of the upgraded plant had been planned for April 2013. But, due to unforeseen circumstances on account of certain technical and geological issues, the project has been delayed and subsequently has led to increment in the project cost. Now, the construction works are in full swing and the commencement of commercial operation for the upgraded plant is expected in April 2014. With commissioning of the project, additional 26 GWh will be added to the INPS annually. NPR 774 million has been spent in the project till the end of FY 2069-70.

Kabeli Energy Limited (KEL), 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. Once operational, the project will be able to generate 202.5 GWh of saleable energy annually.

The total cost of the project, including financing costs and IDC, is estimated to be about USD 103 million. KEL has executed the Project Development Agreement with Government of Nepal for development of the project on Build-Own-Operate-Transfer (BOOT) basis. Further, the amendment to PDA has been signed on 3rd July 2013 with tariff split USD:NPR of 60:40. The project will be debt financed by IDA fund from the World Bank, IFC and domestic financial institutions.

WB has completed their technical and environmental appraisal and WB Board approval is expected soon. With the approved tariff split USD:NPR of 60:40, Kabeli will be borrowing WB and IFC loans in USD. IFC has also already appraised the project technically and financially. The remaining part of loan will be borrowed through a local bank, for which discussions are ongoing with potential banks.

BPC has invested NPR 361.5 million in KEL as of FY 2069-70 end. The construction of project will commence after the financial closure and the project is expected to be commissioned by 2018.

BPC will have 53.6% ownership interest in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

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

In the FY 2069-70, the project received generation license for 35 years. The motorable track up to powerhouse site and bridge over Marsyangdi River are under operation. Prequalification of Civil, Electromechanical and Hydromechanical contractors/suppliers has been completed. Negotiations with NEA are ongoing for PPA tariff with an appropriate USD component. Recently, NEA has also signed PPAs with USD component with certain projects, which is a positive sign and NHL also has plan to continue their efforts to achieve such favorable PPA.

The total cost of the project is estimated to be about USD 63 million. BPC has already invested NPR 296.4 million in the project.

Lower Manang Marsyangdi Hydropower Project (LMMHP) 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 Study Report has been submitted to Ministry of Environment for approval. Besisahar-Chame feeder road for access to the project has been opened and is operational. Follow up with NEA is ongoing for the finalization of 220 kV hub location in Manang and necessary budget has been allocated by NEA for survey of this line.

BPC has invested NPR 135.1 million in this project as of FY 2069-70 end. The application for Generation License of the Project will be submitted to the Ministry of Energy within the validity period of Survey License.

Gurans Energy Limited, a new joint venture company with InfraCo Asia, has been established for the purpose of acquisition, development, financing, construction, ownership and operation of hydroelectric power projects and other infrastructure projects in Nepal. InfraCo Asia holds the majority in the company with 60%, whereas BPC holds 40%.

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 develop. The investments will contribute to creation of wealth for shareholders in the long term. Considering the dividend policy adopted and profitability of the company the Board has recommended cash dividend of 18% on the paid up capital from the profit of FY 2069-70.

Rights Share

The process for issuance of right shares at the ratio of 3:2 is in advance stage. The approval on Provisions and Particulars Regarding Issuance of Right Shares has been received from the Securities Board of Nepal. The process of right issue will be completed within a couple of months.

Board of Directors

There were some changes in the Board. The Board appointed Mr. Chandi Prasad Shrestha in the vacant position of Director representing the general public shareholders for remaining tenure i.e. till 21st AGM. Mr. Shrestha joined his office on Bhadra 9, 2017 (August 25, 2013). Mr. Murali Prasad Sharma, the Company Secretary, successfully completed his tenure of office ending July 15, 2013. The Board appointed Mr. Hari Bahadur Budhathoki in the vacant position of Company Secretary with effect from July 16, 2013.

The committees constituted by the Board assisted in strengthening the internal controls and corporate governance in the company.

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, appointment of internal auditor and recommending the name of statutory auditor, etc.

HR COMMITTEE

The HR Committee was constituted during FY 2068-69 to review the policies and guidelines adopted by the Company and guide 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.

PROJECT STEERING COMMITTEE

This Committee has been formed to expedite the Andhikhola Upgrading Project by supporting, monitoring and recommending to the Board for taking appropriate decisions in project related activities.

FINANCE COMMITTEE

The Board also formed a Finance Committee for securing financing for BPC at most competitive terms and avail funds for BPC's financial needs.

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

There was a change in the management. The tenure of Mr. Ranjan Lohar, the Chief Executive Officer, expired on September 16, 2013. The Board designated Mr. Pratik Man Singh Pradhan, VP-P&BD, as the Officiating Chief Executive Officer of the Company. The HR Committee is working to fulfill the vacant position of the Chief Executive Officer. It is expected to appoint the new Chief Executive Officer of the Company shortly.

There were 296 employees, 265 male and 32 female, at the end of the FY 2069-70. The Company faced an employee turnover of about 4.05%. BPC is making continuous effort and taking appropriate initiatives towards retaining qualified and competent employees.

Health, Safety and Environment (HSE)

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.

Recently, BPC has also been certified for OHSAS 18001:2007. We believe that OHSAS will enable the organization to manage occupational health, safety and security issues as an integrated part of its overall business operations, system and procedures. It will also increase health, safety and security

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, 2013 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 through conducting refreshment program and meetings. This year, Collective Bargaining Agreement was signed with Employees' Union to maintain industrial peace for the upcoming 5 year with an objective to enhance the company's operations and assure timely progress in projects smoothly. 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 management audits are carried out for continual improvement and implementation of the 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. 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 Kuber and Company.

Statutory Audit

M/s SR Pandey & Co. audited BPC's books of accounts in the FY 2069-70. 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 2069-70.

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 sector backbone i.e. transmission network lags the generation capacity addition plan. Local issues related to land acquisition and environmental impact associated with building transmission lines are the major hindrances for augmentation of the network. There is a 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.

Further, the overwhelming demands of locals and high financing costs are major deterrents to the development of even the small projects being developed by domestic developers. The multi-window approval requirement and significant delays in approval process further add to the slow development of the sector.

While there has been consideration in revision of posted tariff for certain smaller projects, the tariff setting mechanism is yet to be prudent to encourage accelerated development of generation projects. Executing larger projects will require international financiers to be involved, and consequently the developers are seeking a PPA with suitable currency split on tariff offered. This allows them to mitigate foreign exchange risk associated with repayment of loans. But the ailing financial health of the state utility does not facilitate the mechanism readily. However, NEA has recently signed a few PPAs facilitating foreign currency repatriation for debt repayment which

should be considered encouraging by developers looking to bring in international financing. The government needs to develop a clear policy on the matter.

The government, in its last fiscal budget, has given high priority to the hydropower sector with allocation of significant budget for related activities. In addition to that, majority of the political parties at the central level have extended their commitment towards this sector's development, which should be taken as a positive.

Moreover, with the successful conclusion of recently held 2nd Constitution Assembly Polls and expectation of stability within the power dynamics of our country, the overall confidence of the investors is high as indicated by the bullish trend in the stock market. Hence, with the government's commitment to working towards simplification and revision of policies to boost investment, the development of hydropower sector is expected to be promising despite a few key challenges.



The Year Ahead

Andhikhola Upgrading Project will be concluded and will resume commercial operation at 9.4 MW. With the expiry of existing PPA at FY 2069-70 end, efforts are being made to achieve a favourable PPA for operating plants, which is expected to be concluded soon. PPA and financial closures for Kabeli A is expected to be achieved, followed by commencement of full-fledged construction. The further development works of the projects in basket of the Company shall be done. The joint venture company, Gurans Energy Limited, will co-invest in projects under development such as Lower Manang Marshyangdi, Nyadi, and Kabeli A Projects.

The corporate office has completely shifted into the new building and the remaining construction works of the building will be completed within the year.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of Foreign Affairs-Norway, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the 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
23rd February 2014

CEOs' Perspective

Fiscal year 2013 has been a challenging one for BPC, considering we operated under limited generation capacity as Andhikhola Plant was under shut-down for upgrading works. We have still been able to deliver satisfactory results from assets operated directly and as well as through subsidiary and associate companies. We recorded an annual operating income of NPR 512.1 million and a net profit of NPR 243.9 million. Our EPS stands at NPR 24.02 and the gross operating margin is recorded at 47.6%.

There definitely has been a significant drop in the net profit of our company compared to previous year, the major reasons for which are the shut-down of Andhikhola Plant, as mentioned earlier, and the reduction in the dividend income from Himal Power Ltd. However, with commercial operation of upgraded Andhikhola Plant at 9.4 MW, completely refurbished with new and efficient equipment, we can expect the overall financials of the company to get a boost in the upcoming years.

We have consistently exhibited our operational excellence in the core business areas i.e. generation and distribution of electricity. We were able to record the highest generation of 68.2 GWh from our 12 MW Jhimruk Plant over the FY 2069-70 and managed to sell excess energy of 8.5 GWh over the actual contract energy. This feat was achieved despite of an unfortunate incident during the demonstration by locals protesting the load-shedding planned for the region, which caused substantial damage to company's property and resulted in shut-down of the plant for 10 days. This is the second time since its commercial operation that such an act has caused a prolonged shutdown resulting in loss of generation. This incident has again highlighted the lack of security for private developers and the importance of the long overdue industrial security planned by the government.

Distribution business was marked by consistent growth with addition of 3026 new customers to the system.

Hydro Consult Engineering Ltd., the engineering and consulting wing of the company, has

exhibited consistent financial performance and has recently managed to secure a few key contracts, including some international projects, which are expected to provide adequate business over the next few years.

Nepal Hydro & Electric Limited has added to its existing capabilities by establishing a HV Generator and Motor Coil Workshop and now holds the capacity of repairing generators and motors up to 50 MW.

Similarly, the improving performance of Khudi Hydropower Limited, which operates the 4 MW Khudi Plant, is very encouraging as the company managed to register net profit after tax after many years while generating the highest revenue since its commercial operation in FY 2063-64.

Our team has been working diligently in preparing projects in our basket like Kabeli A, Nyadi and Lower Manang Marshyangdi. There have been delays in their progress and some setbacks along the way on account of the prevailing business environment. However, we are confident of taking these projects into construction gradually. Kabeli A, with the amendment of its PDA, is in the final stages of financial closure and we can expect the construction works to start by mid-2014. The PPA negotiations for Nyadi are ongoing with NEA, and efforts are being made towards achieving a favorable PPA.

During the year, the company achieved a milestone in signing a new Collective Bargaining Agreement, which has ensured that industrial peace is maintained for the upcoming years.

Improved employee relations sans the frequent strikes, as witnessed in the previous years, will be instrumental in achieving better productivity and increased motivation among the employees. BPC was certified for OHSAS 18001:2007 during the year, which will enable us to manage occupational health, safety and security issues as an integrated part of overall operations.

There is a positive outlook to the business environment of Nepal, following the conclusion of 2nd Constitution Assembly Polls, and with some stability at the state-level we can expect the investment climate to improve. This will definitely have a very positive impact on the project development front, not just for BPC, but for the entire nation. The solidarity between different political parties for development of hydropower sector and their commitment towards this cause, as publicly signed earlier last year, will go a long way in boosting the overall economy of the nation.

While there have been some setbacks, there also have been positives to look forward to which can have beneficial impact on the operations of the company in the long-term. Team BPC is committed to continuously working towards achieving better results and securing a sustainable return for all stakeholders involved with the operations of our company.



Pratik Man Singh Pradhan
Officiating CEO



Corporate Governance

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 Organization for Economic Co-operation and Development (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.

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 shareholder.

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

The dividends of the past fiscal years have already been paid to the Shareholders. The dividend for FY

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	IKNN	29 Jan 2003
Mr. Nabin Raj Singh	Director	GoN	10 Dec 2013
Mr. Chandi Prasad Shrestha	Director	Public Shareholders	16 Jul 2013
Alternative Directors			
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. Anup Kumar Upadhyay represented GoN as Director from 17th May 2005 to 9th February 2013. GoN nominated Mr. Sriranjana Lacoul in place of Mr. Anup Kumar Upadhyay from 10th February 2013.
- Mr. Sriranjana Lacoul represented GoN as Director from 10th February 2013 to 24th July 2013. GoN nominated Mr. Anup Kumar Upadhyay in place of Mr. Sriranjana Lacoul from 25th July 2013.
- Mr. Anup Kumar Upadhyay represented GoN as Director from 25th July 2013 to 9th December 2013. GoN nominated Mr. Nabin Raj Singh in place of Mr. Anup Kumar Upadhyay from 10th December 2013.
- Mr. Chandi Prasad Shrestha, appointed by the Board as Director representing to public shareholder on 14th June 2013 in the vacant position till next AGM.

2068-69 towards the shares held by UMN has been put on hold as per the instruction of the Ministry of Finance. Few public shareholders have not collected their dividend warrants presenting the necessary document.

The Company Secretary is accompanied by the Share Registrar and Head - CSR and Media Relation of the Company for shareholder's queries or clarifications. The shareholder's suggestions have been taken at the right earnest commensurate with the need of business operations of the Company.

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.

Eighteen Board meetings were held in the FY 2069-70. The longest gap between meetings was 50 days and the shortest was 2 days. The attendance for the Board meetings was as follows:

Board Member	Meetings held during tenure as Direct	Meetings attended
Mr. Padma Jyoti	18	18
Mr. Pradeep Kumar Shrestha	18	13
Mr. Bijaya Krishna Shrestha	18	16
Mr. Bijay Bahadur Shrestha	18	16
Mr. Ratna Sansar Shrestha, FCA	18	15
Mr. Anup Kumar Upadhyay	11	5
Mr. Sriranjana Lacoul	7	7
Mr. Rajib Rajbhandari	18	5
Mr. Sanjib Rajbhandari	18	4
Mr. Om Prakash Shrestha	18	3

Mr. Chandi Prasad Shrestha was appointed towards the end of FY 2069-70. Therefore, his presence is not accounted for in the FY 2069-70.

Mr. Rajib Rajbhandari, Mr. Sanjib Rajbhandari and Mr. Om Prakash Shrestha attended Board meetings, 5, 4 and 3 time respectively in absence of principal directors representing SEL.

Mr. Murali Prasad Sharma, Company Secretary, retired voluntarily at the end of Ashadh, 2070 (July 15, 2013). The Board accepted his resignation and extended its sincere thanks to Mr. Sharma for his long association and contribution to the Company. The Board, at the same time, appointed Mr. Hari B. Budhathoki as Company Secretary of the Company, effective from Shrawan 1, 2070 (16 July 2013).

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 have not changed and has been kept same as previous year.

1. The Board Meeting fee and Board Committee Meeting fee for all the Members and Chairman is NPR 3,000 per meeting.
2. Transportation and Telephone Allowance for Board Members is NPR 3,500 per month.
3. Transportation and Telephone Allowance for the Board Chairman is NPR 5,000 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 internal control matters related to finance, accounts and the compliance to the Companies Act. It supervises and obtains inputs from the internal auditor to improve upon the internal control areas of the Company. CEO, VP-Finance, and Head-Corporate are permanent invitees of the Audit Committee meetings. Company Secretary acts as secretary of the Audit Committee.

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

1. Review financial statements, internal control and risk management systems;
2. Review internal and external audit reports;
3. 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 three times in this fiscal year. The attendance of the Committee members was as follows:

Name	Position	Meetings held	Meetings attended
Mr. Ratna Sansar Shrestha, FCA	Chairman	3	3
Mr. Pradeep Kumar Shrestha	Member	3	3
Mr. Bijay Bahadur Shrestha	Member	3	3

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. VP-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

Recently Board has reconstituted the Committee with effective from 4th October 2013 as follows:

Name	Position
Mr. Bijaya Krishna Shrestha	Convener
Mr. Chandhi Prasad Shrestha	Member

HR Committee

The HR Committee was set up on 27 April 2012 (15 Baisakh 2069). The committee consisted of four members. Later on, the Board reconstituted the committee on 17 March 2013 (04 Chaitra 2069) after Mr. Ratna Sansar Shrestha, FCA resigned from the chairperson. At present the committee consists of three Members. Mr. Bijay Bahadur Shrestha chairs the HR Committee, Mr. Sanjib Rajbhandari and Mr. Om Prakash Shrestha are the members of the Committee.

CEO and Head-Corporate are permanent invitees of the HR Committee meetings and Manager-Legal acts as secretary of the HR Committee.

The functions of the HR Committee are:

1. To review and recommend the Company's Personnel Manual and Organizational 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 six times during this fiscal year. The attendance was as follows:

Name	Position	Meetings held	Meetings attended
Mr. Ratna Sansar Shrestha, FCA	Chairperson	2	1
Mr. Bijay Bahadur Shrestha	Member/ Chairperson	6	6
Mr. Sanjib Rajbhandari	Member	6	6
Mr. Om Prakash Shrestha	Member	6	4

Finance Committee

The Finance Committee was set up on 21st September 2012 (5th Aswin 2069). The committee consists of three members of the Company. Director Mr. Bijay Bahadur Shrestha chairs the Finance Committee and Director Mr. Bijaya Krishna Shrestha and CEO are members of the Finance Committee. Vice President- Finance acts as secretary of the Finance Committee.

The functions of Finance committee are:

1. Responsible to the Board in securing best financing deal for borrowings for BPC's financing needs
2. Assess financing requirements
3. Counsel Head of Finance in dealing with Banks
4. Negotiate with Banks when necessary on interest rates, securities, guarantees etc
5. Finalize financing terms and recommend to the Board for approval.

During the reporting period, three meetings were held.

Name	Position	Meetings attended
Mr. Bijay Bahadur Shrestha	Chairman	3
Mr. Bijaya Krishna Shrestha	Member	3
Mr. Ranjan Lohar	Member	3

Effective from 17th September 2013 (1st Ashwin 2070), Officiating CEO Mr. Pratik Man Singh Pradhan has been nominated as a member to replace Mr. Ranjan Lohar following the expiry of his term as CEO of BPC.

Project Steering Committee

The Project Steering Committee was set up on 21st September 2012 (5th Aswin 2069) to monitor and provide necessary guidance and support in executing Andhikhola Upgrading Project within the budget and time schedule. The committee consists of two members from the Board and two members from the Management of the Company. Director Mr. Bijay Bahadur Shrestha chairs the Project Steering Committee and Director Mr. Om Prakash Shrestha, CEO and Vice President of Business Development and Projects are members of the Committee. Project Manager of Andhikhola Upgrading Project acts as secretary of the Project Steering Committee.

The responsibility and authority of Project Steering Committee are as under:

- To be responsible to the Board for delivery of Andhikhola Upgrading Project within Budget and schedule, adhering to the quality standards
- To monitor the progress of the project periodically
- To provide counsel to the Project Manager on critical issues
- To accomplish, through the Project Manager, the execution of the project within the approved budget and schedule without compromise on quality
- Report to the Board on major deviations effecting the project budget and schedule

The committee is also authorized to changes in the project plan which does not have effect on the project budget, reallocation of budget within the framework of the overall approved budget, appointment of contractors, consultants, procurement of goods and services for the project, change in the project organization structure and project breakdown schedules as and when required.

The Project Steering Committee meets every week. The attendance during the fiscal year was as follows:

Name	Position	Meetings held during tenure as Member	Meetings attended
Mr. Bijay Bahadur Shrestha	Chairperson	29	29
Mr. Om Prakash Shrestha	Member	29	21
Mr. Ranjan Lohar	Member	29	23
Mr. Pratik Man Singh Pradhan	Member	29	27

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, 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 the management team. BPC has a strong management team under the leadership of Mr. Pratik Man Singh Pradhan, Officiating CEO appointed by the Board on 17th September 2013 after expiry of contract of Mr. Ranjan Lohar on 16th September 2013.

The management performed satisfactorily during the FY 2069-70 as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors.

Code of Conduct and Ethics

The company 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.

BRIEF RESUME OF THE BOARD



Padma Jyoti, 67

CHAIRMAN

Mr. Jyoti has graduated in Mechanical Engineering from IIT Kanpur, India and is an 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 42 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, 53

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 29 years. Most of his career was in economic sector especially in trade and commerce. During his entrepreneurship, government and private sector has recognized his calibre and dedication towards nation development and honour him with Gorkha Dakshin Bahu, Birendra Aishwarya Sewa Padak, Nepal Samman 2059, and Man of the Year 2003 by The American Biographical Institute. He is still actively involved in different social organization and association.

- Vice President, Confederation of Asia-Pacific Chamber of Commerce and Industry (CACCI)
- Vice President-SAARC Chamber of Commerce and Industry
- Past –President, Federation of Nepalese Chamber of Commerce and Industry (FNCCI)
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd.
- Managing Director, Panchakanya Group of Industries
- Director, Shangri-La Energy Limited
- Honorary Consul, the Republic of South Africa
- Member, Academic Assembly-NAST



Bijay Bahadur Shrestha, 58

MEMBER

Mr. Shrestha is a MBA graduate from the Faculty of Management Studies, University of Delhi. Mr. Shrestha has 29 years of experience in the export sector and more than 14 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



Bijaya Krishna Shrestha, 65

MEMBER

Mr. Shrestha is an Electrical engineer and MBA graduate from Southern Illinois University, USA. Mr. Shrestha has more than 34 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



Ratna Sansar Shrestha, FCA, 61

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.

MEMBERS AND DISCLOSURES



Nabin Raj Singh, 44
MEMBER

Mr. Singh is a M.Sc. graduate in Water Resources Engineering from Vrije University Brussels, Belgium. Mr. Singh is the Senior Divisional Engineer/Power Development Fund Secretary of the Department of Electricity Development (DoED) and has more than 10 years of experience in the power sector of Nepal.



Chandi Prasad Shrestha, 59
MEMBER

Mr. Shrestha has Master's Degree in Business Administration and Commerce and in Political Science from Tribhuvan University. Mr. Shrestha has 28 years' experience in Government Service as the Secretary in the ministries of Home Affairs, Forest and Soil Conservation. He has been honoured with Gorkha Dakkhin Bahu III and Tri Shakti Patta III in recognition of his commitment and dedication towards work. He has also been recognized with international award "JICA Recognition Award 2011" from Japan. He is still actively involved in different social organization and association.



Rajib Rajbhandari, 56
ALTERNATE MEMBER

Mr. Rajbhandari holds B. Com. (Honours) from Bombay University, India. Mr. Rajbhandari has more than 24 years of experience in industry, commerce and financial sectors.

- Director, Ace Development Bank Limited
- 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, MNepal Limited.
- Director, Shangri-La Energy Limited.
- Director, Furniture Land Pvt. Ltd.
- Director, Index Furniture Nepal Pvt. Ltd.



Om Prakash Shrestha, 54
ALTERNATE MEMBER

Mr. Shrestha holds Bachelor's in Civil Engineering from Punjab University, Chandigarh. Mr. Shrestha has 27 years of experience in the field of construction management and trading.

- Director, Arniko Nirman Co
- Director, Interworld Trading



Sanjib Rajbhandari, 54
ALTERNATE MEMBER

Mr. Sanjib Rajbhandari is a graduate from Mumbai University. Mr. Rajbhandari has 26 years experience in IT sector. During his career, he has founded over half a dozen IT and communication companies.

- Chairman, Mercantile Office Systems Pvt. Ltd.
- Chairman, Mercantile Communications Pvt. Ltd.
- Director, Hits Nepal Pvt. Ltd.
- Chairman, MNepal Pvt. Ltd.
- Director, Serving Minds Pvt. Ltd.
- Chairman, Flexiterm Pvt. Ltd.
- Chairman, Titan Nepal Pvt. Ltd.

Shareholding of Board of Directors in BPC:

S. No.	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	None
6	Mr. Nabin Raj Singh	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 Share-holding in %	Name	Position in Board
BPC Services Ltd.	100%	Mr. Pratik Man Singh Pradhan Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Member Member
Himal Power Limited	16.88%	Mr. Rajib Rajbhandari Mr. Bijaya Krishna Shrestha	Member Alt. Member
Hydro Consult Ltd.	80%	Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha Mr. Ratna Sambhava Shakya	Chairman Member 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. Sanjib Rajbhandari	Chairman Member Member
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Bijay Bahadur Shrestha Mr. Pratik Man Singh Pradhan	Chairman Member Member
Nepal Hydro & Electric Ltd.	51.3%	Mr. Bijay Bahadur Shrestha Mr. Pratik Man Singh Pradhan	Chairman Member
Nyadi Hydropower 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. Pratik Man Singh Pradhan	Chairman Director

Note: Mr. Pratik Man Singh Pradhan, Officiating CEO replaced Mr. Ranjan Lohar, CEO representing BPC in subsidiaries company after appointing Mr. Pradhan as Officiating CEO.

Top Management and Senior Executives

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

S. No.	Name	Designation
1	Mr. Pratik Man Singh Pradhan	Officiating CEO
2	Mr. Radheshyam Shrestha	VP – Finance
3	Mr. Ratna Sambhava Shakya	Head- Corporate
4	Mr. Prakash Kumar Shrestha	Head –Operations
5	Mr. Nirmal Acharya	Project Development Manager (BD & P)
6	Mr. Vishnu Bahadur Singh	Project Manager, AKHUP
7	Mr. Bishnu Prasad Shrestha	Sr. Manager – CSR & Relationship
8	Ms. Rita Chitrakar	Sr. Program Manager, Operations
9	Mr. Guru Adhikari	Sr. Contract Manager, AKHUP
10	Mr. Bharat Raj Pandey	Deputy Chief Engineer
11	Mr. Lav Kumar Shrestha	Deputy Project Manager, AKHPU

Management Team





Management Discussion & Analysis

Business Environment

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

Due to the frequent changes in the power dynamics and leadership of the Government, the hydropower investment climate has not been able to improve. The Government has not been in a position to provide security over the investments, which has resulted in foreign investors to either withhold or postpone their plans until the investment climate becomes favorable with a more stable political scenario.

Most of the Independent Power Producers (IPPs) face significant delays in approval of documents submitted to the government authorities causing loss of valuable license period, increase in project cost and frustrations.

The unreasonably high demands for local support imposed by the local communities pose another serious problem for hydropower developers. Though some local communities are more welcoming than the others, there exist entities which press 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 level, the same kind of commitment is not always reflected at the local level.

One of the key challenges in the development of the hydropower sector in the country has been the lack of sufficient infrastructure for power evacuation. NEA needs to double the capacity of existing transmission network within the next five years to be in a position

to cater to all the PPAs that have been concluded till date. One of 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 network augmentation is still lagging the generation capacity addition plan.

Many developers are in the process of negotiating PPA with NEA, majority of which have failed to materialize or are delayed due to lack of interconnection facilities, transmission lines and the currency of PPA. If the projects are to be financed by international financiers, it is reasonable for the developers to seek PPA with a suitable currency split, with US\$ component, for loan repayment. Unless this happens, external financing will not be feasible, but for which NEA is also not in a position to bear the exchange risk alone. It is important that the Government develop a clear policy to resolve the matter.

In the last fiscal budget, government has prioritized the power sector highly and allocated significant budget for related activities. Plus, the political parties at the central level have also extended their commitment towards the development of the sector. Also, with the conclusion of 2nd Constitution Assembly Polls and expectation of more stability within the Government, the business environment looks encouraging as evidenced by the recent upsurge in the stock market. As a result, potential investors and related stakeholders should stay positive about the development of the sector despite some significant challenges.

Financial Result

BPC concluded its year with net operating revenue of NPR 512 million which is 15.4% less compared to previous year. The company's gross operating profit stands at NPR 201 million, a decrement of 44% compared to previous year. The main reason for this decrease can be attributed to shutdown

of Andhikhola Plant for upgrading works and the company was not required to provide any Management and Technical Support services to its project companies like KEL and NHL. The revenue from distribution business recorded an increment of 10% to NPR 95 million, however, income from generation business decreased by 5 % to NPR 409 million. Generation business and Distribution business contributed 80% and 18% to operating revenue respectively.

Operating expenses have increased by 26% compared to previous year. Unlike previous years, BPC had to import considerably high amount of energy from NEA during the shut-down of Andhikhola Plant, the cost of which is much higher than the actual billing rate applicable to our local consumers. This was the major reason behind the significant increase in operating expenses.

BPC received NPR 241 million as dividend income from Himal Power Limited (Khimti-60 MW) compared to NPR 375 million during previous year. This decrease in dividend income, along with aforementioned reasons, has had a significant impact on the overall profitability of the company during the FY 2069-70. The net income for the year stands at NPR 244 million compared NPR 484 million of previous year.

Total assets of BPC have increased by 8% at the year end, compared to previous year. The net worth of the Company stands at NPR 2,516 million, a decrease of 7% compared to last year, which is mainly due to decrease in the revaluation reserve for charging depreciation on re-valued assets. Total fixed assets worth NPR 247 million were added during the year. Investment in shares (unlisted companies) increased by 4%. NPR 19 million to Nyadi, NPR 17 million to Gurans Energy Limited and NPR 1.4 million to Hydro-Consult Engineering Limited were invested in shares during the fiscal year.

CONSOLIDATED FINANCIAL RESULT

BPC has made an investment in various strategic units to empower its skill and service offering. 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 accordance with the provision of Company Act 2063 and NFRS.

FINANCIAL CONDITION AND LIQUIDITY

In FY 2069-70, Return on Capital Employed (ROCE) was 8.95% against 17.3% of last year with a year-end gearing ratio of 49% which was 29% in FY 2068-69. Cash dividend amounting to NPR 183 million has been proposed to the shareholders for FY 2069-70.

The current ratio for the year stands at 1.2, which is within the acceptable standard.

NET CAPITAL INVESTMENT

Gross Capital investment was NPR 1,157 million in FY 2069-70 as compared to NPR 1,081 million in FY 2068-69. The investment was made in pre-construction stage of Nyadi (30 MW) project, equity investment in Gurans Energy Limited and Hydro-Consult Engineering Limited.

MARKET CAPITALIZATION

Nepal's Securities Market picked up an increasing trend during the first two quarters of the fiscal year followed by frequent fluctuations in the subsequent quarters. The year-end NEPSE index remained at 518.33 points, 33% higher than that of previous year. The index reached a maximum value of 555.73 points whereas the minimum value was 384.89 points.

Hydropower sub-indices increased by 85% and closed at 1080.92 points compared to previous fiscal year, which stood at 495.22 points.

The transaction volume on NEPSE witnessed the encouraging growth and summed up to NPR 22.05

billion which was NPR 10.28 billion in FY 2068-69. It was a 114.5% growth on transaction volume in comparison to FY 2068-69. Market Capitalization increased to NPR 514,492 million from NPR 368,262 million of previous year-end (Mid July -2012) figure, a 40% increment.

During the year, 387,900 shares of BPC were traded at an average price of NPR 741.76 (High- NPR 846, Low- NPR 461). Key figures from securities market for the year are given below:

Particular	Amount (million NPR)
Total Market Capital (TMC)	514,492
Hydro Power (HP)	30,886 (5.34%)
Butwal Power Company	8,427 (27.3% of HP & 1.64% 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 713 MW, less than 2.0% of its feasible potential. In this context, BPC has been operating its two power plants with average of about 70% plant factor and contributing about 2% of available energy, and 2.4% 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 12-14 hours of load-shedding during dry season. It shows that there is huge opportunity for the expansion of business in this sector.

The total consumers electrified by BPC till the end of FY 2069-70 is 42,578 which are about 1.64% of total electricity consumers connected to the national grid 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 2% to the total available energy 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 82.2 GWh energy with an average plant factor of 68.0% during the FY 2069-70, which is 20.6% less than what was achieved during the previous year. The main reason for this decrement is the loss of generation resulting from shut-down of Andhikhola Plant from 6th Mangshir 2069 onwards for upgrading works. 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, 23.1 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during shut-down of Andhikhola Plant and other plant outages. Of the total energy available, 75.1% was supplied to NEA, 22.7% was utilized to cater the local consumer demand, and self-consumption and T&D losses accounted for the rest. Total supply to NEA was 79.1 GWh and the Distribution business unit consumed 23.9 GWh.

Andhikhola plant generated 14.01 GWh with a plant factor of 89.43% till 5th Mangshir 2069. The Plant was shut down for Upgrading Works from 6th Mangshir 2069. A total of 15.33 GWh(43.78%) was supplied to NEA and 19.38 GWh (54.61%) was supplied to local distribution from the total available energy of 35.5 GWh, which also includes an import of 21.5 GWh.

Jhimruk plant generated 68.17 GWh with a plant factor of 64.85%. A total of 59.95 GWh (85.91%) was supplied from Jhimruk Plant to NEA, which also includes an excess energy sale of 8.1 GWh, and 4.52 GWh (6.48%) was supplied to local distribution from the total available energy, which also includes an import of 1.6 GWh along with energy generated. Of the total supply to NEA, 3.6 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 were carried out to optimize the use of water for irrigation and increase generation. River training works to protect the project area and farmers' land could not be completed on time due to early start of monsoon.

It is worth noting that despite the shut-down of the plant for 10 days following the ill-fated incident of Poush 23, 2069 that caused significant loss and damage of company's properties during demonstration by locals, Jhimruk Plant was able to achieve a record high generation during FY 2069-70, marking an increase of 4.55% compared to previous year.

It is planned to generate 74 GWh from Jhimruk plant, assuming that NEA will take the additional energy throughout the year, and 39.18 GWh from Andhikhola plant, assuming that the plant will come into operation towards the end of 2070. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on average river discharge of both plants and estimated outages.

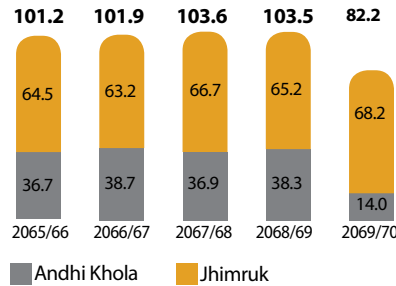
Distribution Business

The Distribution Business unit purchased a total of 23.91 GWh to supply to retail consumers, which is about 4.5% more compared to previous year. 19.64 GWh energy was sold to the customers and 0.06 GWh was consumed in the staff quarters and distribution offices. The T&D losses stood at 17.6% which is significantly lower compared to the national average of 25.03% (as per NEA's Annual Report).

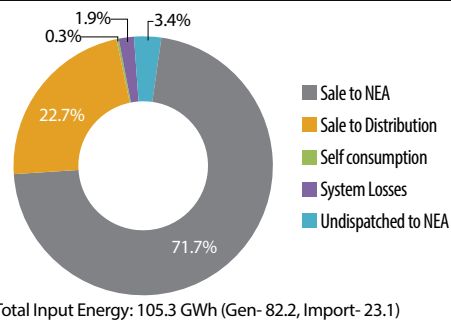
Out of 19.64 GWh sold to retail customers, 16.38 GWh (83.4%) was sold to metered consumers, 0.83 GWh (4.2%) to unmetered consumers, and 2.43 GWh (12.4%) to industrial consumers. Compared to last year's energy consumption pattern, there has been a marked increase in sale of energy to metered consumers and reduction in energy sale to cutouts.

Total revenue for the FY 2069-70 was NPR 94.52 million, an increase of 10% compared to the

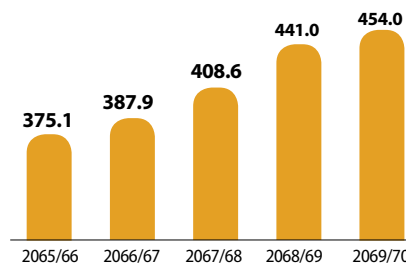
GENERATION IN GWh



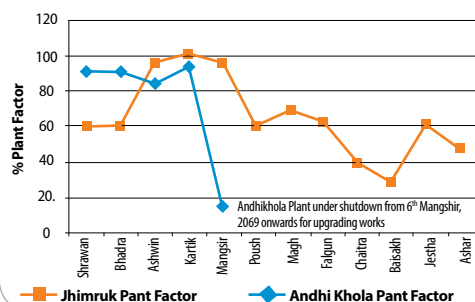
ENERGY UTILIZATION



REVENUE FROM BULK SUPPLY TO NEA



PLANT FACTOR FY 2069-70



previous year. With a collection efficiency of just above 100%, total revenue collection was NPR 94.76 million. Of the total revenue collected, NPR 14.25 million (15%) was collected from industrial consumers, NPR 78.28 million (83%) from metered consumers, and NPR 2.22 million (2%) 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 10.1%.

Category	Energy Sale (GWh)		Sale (%)	
	2068-69	2069-70	2068-69	2069-70
Cutout	1.03	0.834	5.4	4.2
Meter	15.74	16.379	82.6	83.4
Industry	2.29	2.427	12	12.4
Total	19.06	19.64	100	100

LOSS MANAGEMENT

The total energy loss during the year was 4.21 GWh, which accounts for 17.6% of the total purchase. The increase in loss of the system as compared to last year is mainly due to network expansion and need for augmentation of the system. 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. For this purpose, complete metering in network has been initiated which will help to prioritize high loss areas for suitable means of reducing the loss.

BUSINESS VOLUME

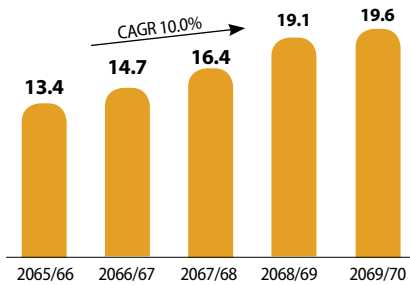
By the end of the FY 2069-70, total of 42,578 customers have been electrified in the four districts, marking an increase of 8% compared to the previous year. A total of 3413 domestic consumers and 26 industrial consumers were newly connected. There were also 439 consumer disconnections from the system resulting in net addition of 3000 consumers during the fiscal year. As a part of our continuous effort to reduce revenue loss, a total of 515 cut-out consumers were converted into metered category.

Necessary system expansion for consumer addition was made possible through installation of twenty new transformers of 11 kV & 33 kV increasing the installed capacity from 8,190 kVA to 9,265 kVA. Additional 11 km (ckt-km) 33

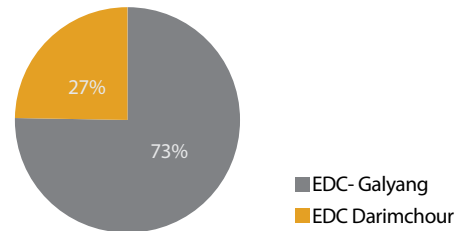
kV network, 1.0 km (ckt-km) 11 kV and 195 km (ckt-km) low voltage line was also constructed this year.

The average service availability index for the FY 2069-70 was 95% which is in line with what was achieved 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. Also, the fact that lack of timely maintenance and patrolling of INPS infrastructure has reduced the reliability of the system.

RETAIL SALES (GWH)

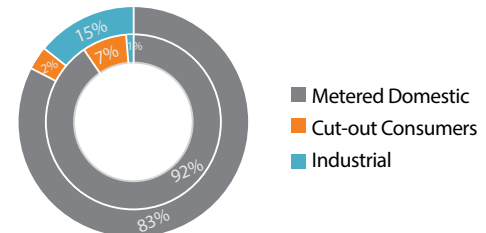


DISTRIBUTION REVENUE



Total Revenue: NPR 94.5 million

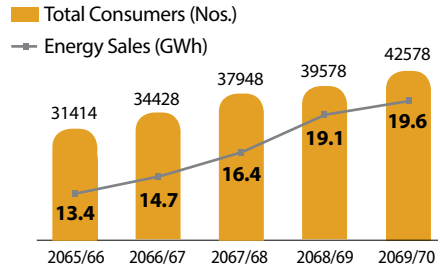
CONSUMER VS. REVENUE MIX



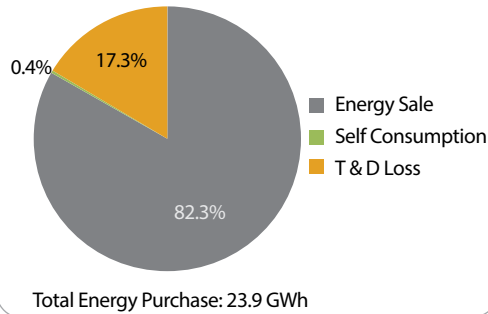
Inner Circle: Consumer Nos.
Outer Circle: Revenue in million NRs.



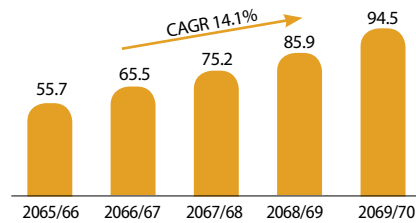
RETAIL SALES & CONSUMER GROWTH



RETAIL SALE & LOSSES



RETAIL SALES REVENUE (MILLION NPR)



CUSTOMER RELATIONSHIP

Distribution Business is committed towards its customers for delivering quality service. Hence, feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. A new customer billing and revenue collection center was set-up at Rampur Office for the convenience of our customers wherein seven users organization were converted into direct consumers in Galyang. This year, the average response time per complain was within the time period specified in the citizen charter.

FUTURE PROSPECTS

A five year expansion has been prepared after completion of REEP project jointly funded by Ministry of Foreign Affairs and BPC. A proposal will be prepared in the coming fiscal year seeking grant for donor agency for meeting the five year target. All the remaining construction & upgrading activities that are delayed during the past year due to technical and social problems are rescheduled to complete within the project period.

As a part of system expansion, 3,373 new consumers are planned for addition in the following year (FY 70/71) by construction of 36 km 33 kV line and 129 km of low voltage line and addition of 10 nos. of 11 kV & 33 kV transformers.

8 more UOs is targeted to be added during FY 2070-71 which will take the count of UOs to 111.

Project Development

The Andhikhola project is being upgraded to 9.4 MW capacity, and is under construction after financial closure with International Finance Corporation (IFC) and Mega Bank Nepal Limited. The AHC Plant has been shut-down since 6th Mangshir, 2069 for the upgrading works.

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 Engineering Ltd. for detail design, verification, approval and project completion report.



As of FY 2069-70 end, the progress of construction of diversion weir modification works was recorded at 96%, intake and gravel trap at 37%, settling basin at 39%, Surge shaft at 87%, penstock erection work at 92%, and tailrace tunnel excavation at 45%. New powerhouse cavern excavation with supporting works, blinding concrete works and demolition of foundation have been completed.

Andhikhola Power house was connected successfully to Rangkhola sub-station on May 22, 2013. This connection improved the overall distribution system of Syangja district. All electromechanical equipment, except two power transformers, have been delivered at site. S4 System pipe and Obermeyer gate have also been delivered at site. Upgrading of Transmission Line (33 kV) from power house to Rangkhola has been completed.

The construction works are in full swing and the commencement of commercial operation of the upgraded plant is expected in April 2014. 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 202.5 GWh of saleable energy annually. The Detailed Project Report has been completed and the EIA has been approved by both GoN and WB. The project will be developed through a SPV, Kabeli Energy Limited. PDA to this effect was signed on January 31, 2010. Amendment to PDA has been signed on 3rd July 2013 with tariff split US\$:NPR of 60:40. 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 103 million. The project will be debt financed by IDA fund from the World Bank, IFC and domestic financial institutions. WB has completed their technical and environmental

appraisal and WB Board approval is expected soon. With the approved tariff split US\$:NPR of 60:40, Kabeli will be able to borrow all WB and IFC loans in US\$. IFC has already appraised the project technically and financially. In addition, the IDA loan is to be routed through Hydropower Investment Development Company Ltd. (HIDCL). The remaining part of loan will be borrowed through a local bank, for which discussions are ongoing with potential banks. The project is in the process of concluding Power Purchase Agreement with Nepal Electricity Authority based on the spirit of PDA, Model PPA, PDA Negotiation Minutes of Meetings, and recently approved amendment to PDA. Prior to PPA, connection agreement has to be signed to evacuate power to be generated from the project. The construction of project will commence after the financial closure and the project is expected to be commissioned by the end of 2018.

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

In the FY 2069-70, the project has received generation license for 35 years. The motorable track up to powerhouse site and bridge over Marsyangdi River are under operation. 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. Prequalification of Civil, Electromechanical and Hydro-mechanical contractors/suppliers has been completed.

As a majority of debt is to be financed by IFC, it is important that the project achieve a favorable PPA with a USD component to minimize the exchange risk. Negotiations with NEA were ongoing on the matter but USD component of tariff could not be approved by NEA, and as a result, the PPA is still under consideration. Consequently, the project progress has slowed down temporarily unless the PPA in USD is expedited.

The total cost of the project, including capitalization, is estimated to be about USD 74 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 in the process of approval. The local consultant Hydro Consult Engineering Ltd., with the support of Austria based consultant Bernard Ingenieurezt 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. 220 kV transmission line along the Marsyangdi corridor has to be developed by NEA for power evacuation of LMMHEP. Follow up with NEA is ongoing for the finalization of 220 kV hub location in Manang and necessary budget has been allocated by NEA for survey of this line.

Business Development

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. However, delay in processing it was difficult to acquire license for Kabeli-B and C, Dudhkhola and Dona Khola, Tamor Reservoir and Upper Arun. As a result the applications for these projects have

been cancelled by DOED together with the other applications. Currently, all such sites are available for acquiring the survey license subject to fulfilling of legal requirements. If BPC is to develop new hydropower projects, new applications can be made for acquiring survey license or take part in bidding process upon issuance of RFP by GON. Similarly, BPC can acquire techno-commercially attractive projects from other IPPs who have acquired survey license of projects and seeking partnership with potential party for development. However, BPC aims to concentrate more on the projects at hand and make it possible for at least Kabeli A to take-off for construction. Application for favourable PPA will be processed for Nyadi and Lower Manang Marsyangdi projects.

Corporate Activities

ISO RECERTIFICATION

BPC has extended its certification scope from Quality and Environmental Management System ISO 9001:2008 and ISO 14001:2004 to Occupational Health and Safety Management System ISO 18001: 2007. BPC has been certified for OHSAS on 20th September 2013. BPC is the first hydropower company that has been certified for occupational health and safety management system.

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



MANAGEMENT REVIEW

Management Review Meetings are held twice a year as a schedule program however it is also held in between when some important issues demand urgent management attention and action. Management Review Meetings are chaired by CEO with participation of all VPs, SBU heads, Site in-charges and ISO Core Team Members. Head of Corporate has been designated as the Management Representative (MR) of the company. MR ensures that results of QHSE 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 prepare action plan for continual improvements of the company.

HUMAN RESOURCE

BPC's total human capital in the year end was 296. This human capital formation is generated by regular enhancement of staff's education, knowledge and skills. This has been recognized by the top management as the strong foundation in the business cycle of the Company. In this connection, Employees' suggestions and grievances handling procedure were developed to maintain and improve the industrial relations within the Company are still practiced. Moreover, a Collective Bargaining Agreement

was signed between management and employees union on 11th Baishakh, 2070 to resolve annual salary increment and other employee related issues for a period of 5 year to maintain industrial peace and improve the working environment within the company.

Human Capital on the end of FY 2069-70

Total no. of Employees	Regular	Contract	Technical	Non-Technical
296	236	60	173	123

28 different events, including trainings, workshops and seminars, were organized during FY 2069-70 as a part of human resource development. 23 in-house trainings, 3 domestic trainings and 2 training abroad were undertaken. These accounted for a total of 2821 training hours and 237 participants.

Risk Management

BUSINESS RISK ENVIRONMENT

Financing a hydropower business is very 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 arranging 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 losses 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 the developer to play the role of state at local level for infrastructure development like support to school, road, irrigation, electricity supply, etc. which result in cost overrun and renders the project unfeasible. Political activists in the local level should be committed towards implementation of law and order in project sites, and they should be more welcoming towards the developers. 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 issues. It has been a matter of discussion whether hydropower should be developed for fulfilling domestic requirement or mega projects be developed by inviting international investors and export the surplus hydropower to cross border markets. There is still confusion on the actual availability of resources, domestic consumption potential and what to do with the

rest, if developed. Discussions have started for marketing the excess energy produced, but the materialization of the same is still a challenge.

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 either the project with given tariff and market interest rate is not commercially viable or the funding and the financial closure is the problem. For a genuine developer, foreign financiers may show interest to invest if the PPA is done in USD. With the prevailing tariff rate and IPP to bear exchange risks for foreign investments, no projects 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 has been 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, delay in financial closure, delay in approvals, unavailability of quality technical personnel and contractors/



suppliers, insufficient specific service providers, insufficient international standard Engineering/ Environment study consultants, import of most of materials/equipment from third countries thus causing delay and breakage in delivery, unnecessary custom /duty clearances etc.

All probable development risks have been analysed and risk assessment scorecard has been developed to keep a track of them and ensure timely action for mitigation of such risks. Some of risks have been incorporated within CSR activities as well. BPC have been urging the concerned authorities and persons to cooperate to mitigate or manage the risks which are not in control of BPC management.

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. These old deteriorated equipment, especially generators and turbine, frequently breaks down causing major plant outages. Likewise, the poor 33 kV grid connection further necessitates the plant outages resulting in loss of generation. 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. Furthermore, to overcome this problem, upgrading of power plant is being carried out. New machine and equipment will be installed in the power plant and after the works are over, the plant will run on upgraded capacity of 9.4 MW.



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 job. 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 planned 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 also deterred them from the theft.

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

Shareholder Information

Communication with Stakeholders

The concerns of stakeholders were addressed timely by means of updated information. All modes of communication have been used to bridge the information gap. 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 towards value added services to its stakeholders in upcoming days too.

Trading Information

Market response for BPC stock was satisfactory in FY 2069-70 in comparison of overall securities market. Trading during first quarter of the fiscal year was encouraging. Trading volume and frequency throughout the quarter was favourable with total 57 days of trading and contributing 33% of whole year transaction. However, 5th month of fiscal year (Mangsir-69) recorded the highest number of trading with 16% of total transaction volume. Key figures related to BPC shares in stock exchange for FY 2069-70 are given below:

No of Trading Day	190 Days
No of O/S shares	10,152,694
High Price, NPR	846
Low Price, NPR	461
Closing Price	830
Volume of Share	387,900
Turnover in NPR	283.36 million

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	SHARE HOLDING 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 SHARE HOLDING			
Individuals	1134	1218404	12.00%
TOTAL	1143	10152694	100.00%

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	SHARE HOLDING AS% TOTAL NO. OF SHARES
Holding shares upto 50	196	4775	0.05%
Holding shares between 51 to 100	175	13958	0.14%
Holding shares between 101 to 500	389	92440	0.91%
Holding shares between 501 to 1000	211	142681	1.41%
Holding shares in excess of 1000	172	9898840	97.50%
Total	1143	10152694	100.00%





Five Year Summary of Statement of Financial Position

(All Amounts in Thousands)

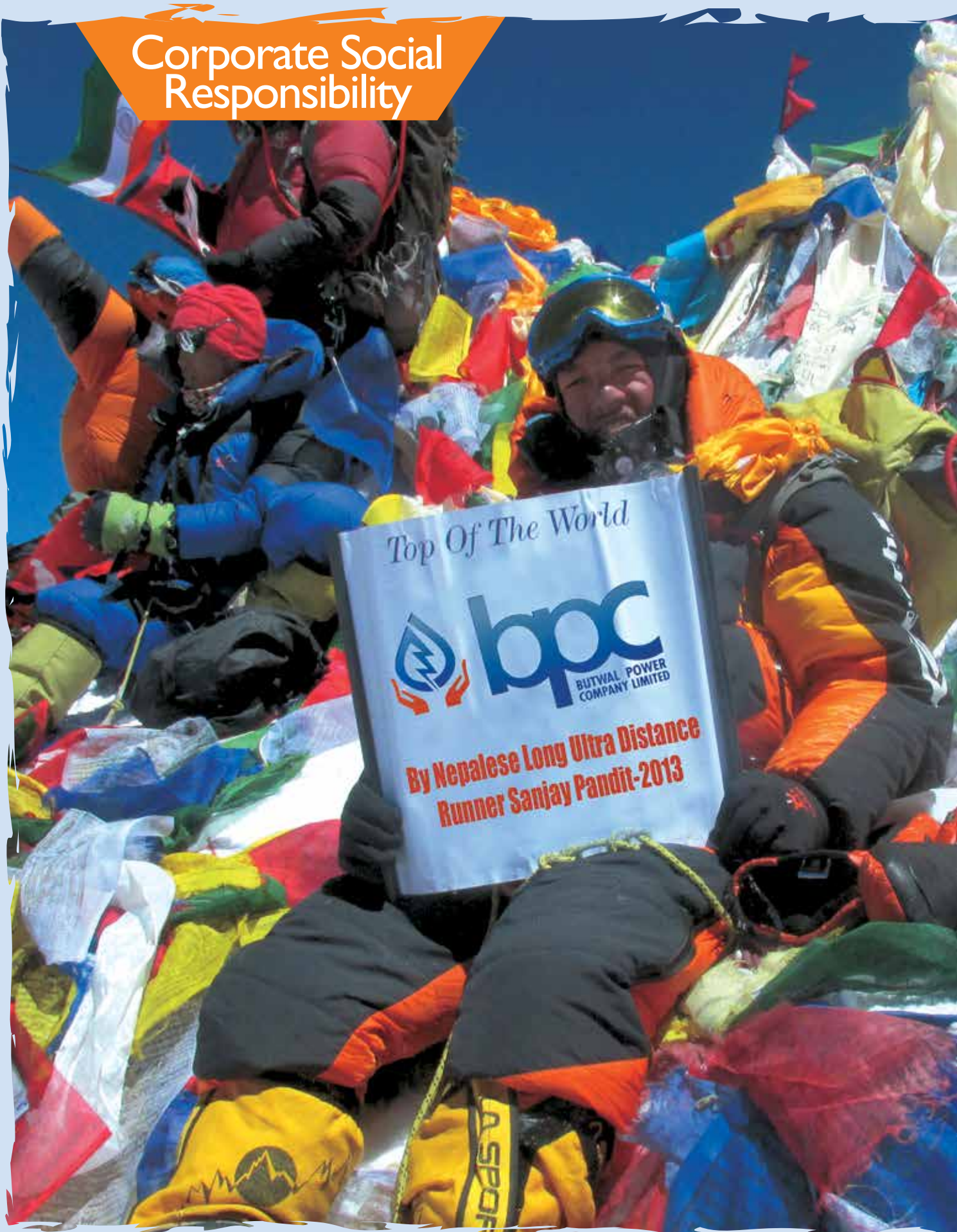
Particulars	2065/66 2008/2009	2066/67 2009/2010	2067/68 2010/2011	2068/69 2011/2012	2069/70 2012/2013
ASSETS & PROPERTY:					
Fixed Assets	765,339	781,666	1,521,536	1,543,387	1,507,722
Land	64,305	66,561	66,561	59,755	72,310
Office Building & Quarters	32,976	30,508	28,267	67,154	195,495
Access Road	2,554	2,323	2,093	-	-
Suspension Bridge	1,685	1,533	1,381	-	-
Power Plant & Machinery	287,502	281,217	258,644	233,196	204,435
Switching & Sub Station	20,734	52,941	50,714	40,001	39,194
Transmission & Distribution Line	294,953	305,741	350,974	352,532	360,519
Capital Stock	-	-	-	32,933	11,345
Office Equipments	28,870	20,866	19,869	33,442	72,175
Furnitures	2,078	1,373	1,378	8,814	22,482
Vehicles	29,682	18,603	21,918	22,953	20,590
Revalued Asset	-	-	719,737	692,607	509,177
Assets Held for Sale	-	-	-	-	3,170
Work in Progress	43,155	95,404	205,488	407,388	860,113
Investment in Shares	706,134	807,211	932,853	999,287	1,082,501
Current Assets, Loan & Advance	743,837	651,519	600,391	1,023,849	852,890
Stock	92,723	104,543	83,413	42,857	35,956
Debtors & Receivable	171,359	93,690	184,140	283,626	276,275
Cash & Bank Balance	291,687	234,888	44,902	322,797	252,087
Advance & Deposit	188,068	218,398	287,936	374,569	288,572
Deferred Revenue Expenditure	5,735	5,644	4,895	5,704	-
Total	2,264,200	2,341,444	3,265,163	3,979,615	4,306,396
CAPITAL & LIABILITIES:					
Equity	839,058	922,968	1,015,269	1,015,269	1,015,269
Reserve & Surplus	707,210	706,834	1,695,673	1,908,136	1,708,852
General Reserve	148,700	148,700	148,700	148,700	148,700
Revaluation Reserve	-	-	719,737	692,607	509,177
Retained Earnings	429,502	385,120	621,051	853,602	843,145
Grant Aid in Reserve	129,008	173,014	206,185	213,227	207,830
Long Term Loan	26,729	57,970	118,111	531,799	838,453
Deferred Tax Liabilities	-	-	-	13,442	26,163
Current Liabilities	624,543	566,569	328,979	444,198	678,347
Short Term Loan	154,294	205,495	162,932	245,022	397,472
Creditors & Payables	434,050	301,517	149,189	193,808	277,761
Advance & Deposit	36,199	59,557	16,858	5,368	3,114
Provisions	66,660	87,103	107,131	66,771	39,312
Provision for Corporate Tax	12,247	25,207	38,291	43,781	7,901
Corporate Tax for 2060/61 (under Appeal)	16,774	16,774	16,774	16,774	16,774
Provision of Loss in Investment	37,639	45,122	38,762	522	-
Provision for Expenses	-	-	13,304	5,694	14,637
Total	2,264,200	2,341,444	3,265,163	3,979,615	4,306,396

Five Year Summary of Statement of Income

(All Amounts in Thousands)

Particulars	2065/66	2066/67	2067/68	2068/69	2069/70
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
INCOME					
Operating Income					
Electricity Sale to NEA	375,103	387,896	408,575	432,511	409,020
Electricity Sale to Consumers	55,697	65,535	75,212	85,922	94,537
Electricity Services	8,040	9,137	9,228	5,583	8,549
Management and Technical Support	3,740	17,241	80,877	81,133	
Consultancy Services	28,108	-	-	-	
Total Operating Income	470,688	479,809	573,892	605,149	512,106
Income from Other Sources					
Interest Income	11,272	6,408	15,825	32,786	28,522
Foreign Currency Exchange Gain (Loss)	30,809	(3,651)	(4,283)	8,769	6,586
Dividend Income	104,843	137,803	164,265	374,957	241,408
Gain (Loss) on Disposal of Assets & Stock Materials	608	(602)	2,295	147	1,254
Depreciation Being Revenue Portion of Grant Aid	5,866	7,547	9,408	10,772	11,188
Grant Support for Technology Transfer	4,317	2,077	-	-	-
Other	2,897	1,699	1,792	2,296	7,204
Total Non- Operating Income	160,612	151,281	189,302	429,727	296,162
Total Income	631,300	631,090	763,194	1,034,876	808,268
EXPENDITURE					
Generation Expenses	88,491	137,842	144,495	163,387	242,826
Distribution Expenses	48,700	55,762	59,509	59,167	68,333
Management and Technical Support Expenses	-	12,072	19,556	7,738	-
Project Development Expenses	-	1,045	8,014	15,856	-
Consultancy Services	18,957	-	-	-	-
Administrative Expenses	70,377	83,253	73,503	84,687	115,469
Provision of Loss in Investment	21,491	7,483	(6,360)	48,292	(7,307)
Interest Expense	7,913	18,104	25,240	35,789	48,461
Depreciation	61,873	60,632	62,199	67,834	70,690
Staff Bonus	9,659	5,457	9,777	11,400	5,290
Total Expenditure	327,461	381,650	395,933	494,150	543,762
Net Profit Before Tax	303,839	249,440	367,261	540,726	264,506
Income Tax Provision	12,247	25,207	38,291	43,781	7,901
Deferred Tax Expenses				13,442	12,721
Net Profit After Tax	291,592	224,233	328,970	483,503	243,884
Retained Earnings b/f	306,397	429,502	385,120	621,051	853,602
Prior Year's Adjustment	(676)	(115)	(742)	2,865	(524)
10% Stock Dividend	-	(83,906)	(92,297)	-	-
Dividend Paid	(167,811)	(184,594)	-	(253,817)	(253,817)
Balance Transferred to Financial Position	429,502	385,120	621,051	853,602	843,145

Corporate Social Responsibility



BPC believes in sustainable development. Business decisions and operations have been integrated with economical, environmental and social considerations. BPC endeavours to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC is also 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 stakeholders, employees, customers, shareholders, suppliers, and local communities.



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 program in its working areas.

BPC has been doing different activities related to the social and environmental improvement programs to fulfil its Corporate Social Responsibility (CSR) objectives. BPC celebrated World Environment Day on 5th June 2013, with a slogan "THINK. EAT. SAVE" throughout BPC offices. 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

bio-diversity, the need to identify problems related to the environment and ways to take preventive and corrective actions. Plantation in the garden developed by BPC and a presentation on 'Eco-protection for the Future Generation' by Dr. Mohan Devkota proved quite valuable in spreading awareness among the participants. Finally, Mr. Sanjaya Pandit, who successfully climbed Mt. Everest and flagged BPC Flag to the top, was also honored on the occasion.

BPC has developed a garden area nearby Buddhanagar Police Station and has handed it over to the local community for future care and maintenance.

Similarly, on the occasion of International Women's Day, BPC supported Sunaulo Bihani, a NGO working in the social upliftment field, to conduct a half-day health campaign at Amako Ghar, Ravi-bhawan in order to provide free health



service to the elderly women residing at the Amako Ghar. The program was organized on 8th March, 2013.

BPC provided support to repair/maintain & rehabilitate the drinking water system in the Jhimruk project area. Similarly, repair and maintenance of 23 gravity irrigation canals was also carried-out with villager's participation and environment awareness training. Likewise, as part of Jhimruk Downstream Mitigation Project (JDMP) program, 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 program, BPC has installed 5 lift irrigation schemes in Sarangbesi, Pakala, Jadi, Dabra and Udiga and has handed over them to the local communities for its long-term sustainability. A total of 182 hectares of land is being irrigated through rehabilitated canals and 19 hectares through the newly installed lift irrigation.

24 crop diversification demonstrations at 6 different places along with 32 skill development programs were carried out in support of the agricultural development programs. About 187 farm and 33 non-farm based enterprises have been established with the support, benefiting about 1375 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 Saranbesi and rehabilitation of 17 existing drinking water supply providing access to clean and safe drinking water to the villagers have directly benefitted 1140 households.

Similarly, about 12,829 households and 185 industries are getting electricity supply through BPC rural electrification program in the Jhimruk HP area.

Andhikhola 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 Andhikhola Water User's Association (AKWUA). With the completion of Andhikhola upgrading works, it has been agreed to release additional water which will be able to irrigate more land.



Integrated Pest Management (IPM) based vegetable production training is being conducted in the region since Mangshir 2069. A total of 26 members from 26 households have participated in the IPM training. Approximately 2 ropanis of land has been leased for five months where cauliflower is the standing crop in the field.

The Company supplies affordable and subsidized electricity to remote rural households in its distribution network. About 29,115 households and 449 industries are getting electricity facility through BPC rural electrification program. Besides the rural electrification program, matters relating to the local employment, health and sanitation, infrastructure development, 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.

AKHPU has constructed 563 meter long drain canal, of varying dimensions, along the road of Tallo Galyang area.

Furthermore, the CSR initiatives of the company have also expanded to the project areas of Kabeli, Nyadi and Lower Manang Marshyangdi, where suitable activities and initiatives have been planned and implemented which have benefitted the local communities to a large extent.



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 aspects 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 periodically and in need basis to keep abreast of first aid tips and equipment. 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. During the year, a comprehensive health check-up program was conducted across the company for employees and a health profile has been maintained for implementation of occupational health and safety management system.

All the activities are carried out in a safe manner applying suitable safety measures. The Safety & Emergency Preparedness Plan is communicated amongst all to cope with all emergencies and natural calamities like fire, flood, landslide, earthquake etc. BPC has been certified by the OHSAS 18001:2007 Standard on 20th September 2013 which further enhances the health and safety standards with in the company.

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 have been 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 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 sorts of environmental, social and financial issues.



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, ISO 14001:2004 and OHSAS 18001:2007 certified company, BPC values good governance, quality service delivery, health and safety, and its commitments to the environment in a sustainable manner.

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 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 continues to focus on bringing up internal efficiencies to work processes and on rationalizing its investments where possible, to counter the challenges it faces.

Social Performance

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. The company has been assisting people in and around its project areas to uplift their social and economic standards through prioritizing employment and other income generating activities. As a result, BPC is confident that these endeavours will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development. 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

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 has constructed 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. BPC has been contributing to environmental development programs beyond the legal requirements.

BPC Subsidiaries

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) is an established engineering, environmental and social consulting firm in hydropower sector. HCE is the first engineering consulting firm registered as public limited company in Nepal. Butwal Power Company (BPC) holds 80% and People, Energy and Environment Development Agency (PEEDA) holds 20% stake in HCE. HCE currently operates from its Head office at Pabitrarmarg, Buddhanagar, Kathmandu.

At present HCE is operating its business in Nepal, Pakistan, Kenya and initiating some projects in Afghanistan and Srilanka. HCE has acquired several international projects including the feasibility study of Koragh Hydropower (223 MW) in Pakistan in association with AGES Pakistan and Norconsult, Norway. HCE has been working for the construction supervision of Gura Hydropower Project in Kenya. The company is putting effort and exploring for several international projects.

HCE is providing various consultancy services to domestic clients in hydropower and irrigation projects.

HCE has continued consistent financial performance and strengthened its financial position. During FY 2069-70, the revenue from consultancy income stands at NPR 59.6 million and the net profit before tax is NPR 9.3 million.

During the year, an additional paid up capital of NPR 1.78 million was raised by issuing 17,785 new shares. The shareholders' fund and net worth of the company has increased to NPR 35.7 million from NPR 29.1 million leading to a 23% increment. The overall financial performance and position of the company is satisfactory.

HCE has a well-diversified team of professionals dedicated for reliable and quality service to the company. HCE's professionals, technicians and administrators have consistently outperformed and satisfied the clients of the company. HCE is committed to retain competent and qualified employees. Currently, 53 technical and 9 non-technical employees are serving the company.

At present, HCE has sufficient projects to sustain in the market. As a part of diversification, HCE is promoting strong network to work in other areas of engineering and environment consultancy business such as irrigation and alternative energy sources. As a part of business promotion, potential investors and clients have been approached both on individual and institutional levels.

HCE has been enlisted as the service provider of Asian Development Bank. HCE has been partnering with Multiconsult Norway in the FK Exchange Program. The company is also a member of ACECOMS, AIT. HCE is initiating the membership of Society of Consulting Architecture and Engineering Firms (SCAEF).

Consultancy service is gradually getting the desired attention among Nepalese investors. Banks and other investing companies are prioritizing the technical importance while conducting the evaluation of Hydropower projects. The developers are gradually showing concern over quality and seeking well established consulting firms for detailed engineering designs and construction supervision works in hydropower sector.

The development of infrastructure in Afghanistan, Pakistan and African regions are creating opportunities for the company to explore the potentiality of those markets. HCE is seeking partnership of international consulting firms in the form of association and joint ventures to bid the national interest projects of Government of Nepal and international projects in Africa and South East Asia.

Private investors have been initiating investment in the hydropower sector. This is kindling the light of market prosperity for engineering, environment and social consulting services. Some projects undertaken by BPC are also moving towards construction phase. Hence, given the market potential at both the local as well as international level and with our strength of the competent team of professionals, the future prospects of growth for HCE looks very promising.

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. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada. Power generated from the plant is supplied to the national grid (INPS) in accordance with the PPA signed with NEA.

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

During the FY 2069-70, 22.95 GWh energy was supplied to NEA's grid through 33 kV transmission line, an increase of 12.17 % over the previous year.

Total revenue of NPR 96.13 million has been generated in FY 2069-70 against the set target of NPR 90.12 million. This is the highest recorded revenue generation since its operation, and is an increase of 11.20%

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.



over the previous year. The company was able to record a net profit of NPR 9.8 million, which is commendable considering it had incurred net loss during the past few years.

The principal and interest for the Consortium Loan have been paid regularly as scheduled.

The royalty for installed capacity and the generation royalty have been paid regularly to DoED as per the Electricity Act 2049.

It has been planned to generate revenue of about NPR 100 million in the FY 2070-71. Capital repair and overhauling of all turbine parts eroded by silt and sediment of both units will be carried out one-by-one during the lean period (Poush-Baisakh) when the river discharge is minimum and sufficient to run only one unit.

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

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

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

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



Nyadi Hydropower Limited

Nyadi Hydropower Limited is registered as a public limited company and was incorporated to develop the 20 MW Nyadi Hydropower Project located in Lamjung District. The project has been upgraded to 30 MW installed capacity, the Feasibility study for which has already been completed. The Corporate Office of the NHL is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

The Project has constructed an 8 km long access road to powerhouse site which is being used by the local communities and the project. A 52 m span Bailey bridge has been installed over Marshyangdi river to access the project site. An online discharge measurement system has also been installed at the site during this fiscal year. Slope stabilization work, drainage construction and bioengineering works were carried out along the access road, especially at locations which are more prone to landslides. Pre-qualification of contractors for civil, hydro-mechanical and electromechanical packages have been completed.

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 and cost locking of the project has also been signed.

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.

NHL obtained the Generation License on 14 Feb, 2013. Beside this, NHL also obtained a Bridge Gap Loan from Everest Bank Limited to carry out the pre-construction related works. Construction of canal to tap Siuri tailrace water has been completed to divert the tailrace water into intake of NHP.

- Preparation of EIA report for Transmission line is completed and Public hearing will be conducted soon.
- Most of the land required for the project has already been purchased. The leasing of Government land, required for the project, is under process.
- NORPLAN is preparing final comments on the detail design and Tender Document of Nyadi Hydropower Project



Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) was established in 2042 B.S. by Butwal Power Company Ltd., Alstom Power Norway AS, Kvaerner Energy (formally SorumsandVerkstad) AS Norway, Butwal Technical Institute and Himel 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 electromechanical 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.

Some of the major jobs completed during FY 2069-70 are as follows:

- Shani Bheri Steel Truss Bridge at Rolpa District
- Hydro-mechanical works of 10 MW Siprin HEP at Dolakha District
- Manufacturing of 92 kW Francis Turbine. This is a first of its type of turbine manufactured in Nepal by NHE. Design verification test yet to execute in KU turbine testing laboratory.
- Runner repairing of NEA Middle Marsyangdi, NEA ModiKhola, NEA Sunkoshi and NEA Trishuli
- Runner repairing of Khimti, Bhotekoshi, BPC Jhimruk, Khudi and other IPPs works
- Substation works of NEA GOD Lamahi, NEA Chameliya HEP
- Repairing of 1MVA Generator of Panauti plant
- Supply of 500 kVA Transformer to Kulekhani - III Project
- Supply of substation equipment of NEA Butwal and Birgunj Substation

The company posted a total sales turnover of NPR 451 million during the FY 2069-70. A few of the major contracts like that of Andhikhola Upgrading Project and Chameliya Hydroelectric Project could not be completed because of the delay caused by the designated civil contractors. Similarly, due to



the delay caused by the Indian Customs Authority in granting approval to take items to India for hard coating, jobs related to Kali Gandaki A and Middle Marsyangdi Projects could not be completed. These factors had a negative impact on the total sales for the year.

Among other major achievements of FY 2069-70, the Company signed new contracts with NEA Grid Operation Department 132 132/33 kV, 30 MVA Chandranigahpur Substation Bay Extension, manufacturing of embedded parts and Stoplogs for Ranijamara - Kuleria Irrigation Project, BPC's Steel Telescopic Poles and additional jobs from Andhikhola Project (Upgrading), Kathmandu University's RENP 92 KW Francis Turbine manufacturing, turbine repairing for NEA 144 MW Kali Gandaki 'A', 70 MW Middle Marsyangdi, 24 MW Trishuli, 14 MW Modikhola and 10 MW Sunkoshi, 22 MW Chilime, BPC's 12 MW Jhimruk, 44 MW Bhotekoshi, 4.5 MW Khudi and Sanima – 2.5 MW Sunkoshi Hydropower Plants and Narayani Lift Irrigation Project 11 kV 750 kW Pump Motor.

NHE established a HV Generator and Motor Coil Workshop during the year. Addition of this workshop has made NHE capable of repairing single unit generator and motor up to 50 MW. Representatives of Norwegian Embassy and many potential customers attended the inauguration of this workshop.

NHE has been certified an ISO 9001:2008 Company, the validity of which is up to September 2014. The Management has developed very good relationship with the employees and the Unions and this has helped maintain industrial harmony and peace within the company. Timely discussions and addressing of problems and grievances has also helped increase employee productivity and foster mutual respect and dignity.

The company is in the process of upgrading its engineering, project management and contract management capabilities. Suitable initiatives are being implemented and trainings are being provided to the staff. Upgrading of these capabilities will help create goodwill for the company and will be in a position to secure larger jobs independently in the hydro mechanical field.

BPC Services Limited

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

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

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

BPCSL's incurred a loss of NPR 0.35 million before bonus and tax in the FY 2069-70. The net worth of BPCSL as on July 15, 2013 stands at NPR 9.8 million.

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

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

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



Kabeli Energy Limited

Kabeli energy Limited has been established to execute the Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. The project is located in 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 invitation for the tender of different contracts like Civil-Surface, Civil-Underground, Hydro-mechanical and electromechanical have been

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

completed and the bidders have already submitted their bids for respective contracts and bid evaluation process is ongoing. Also, the detail design is completed. 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.

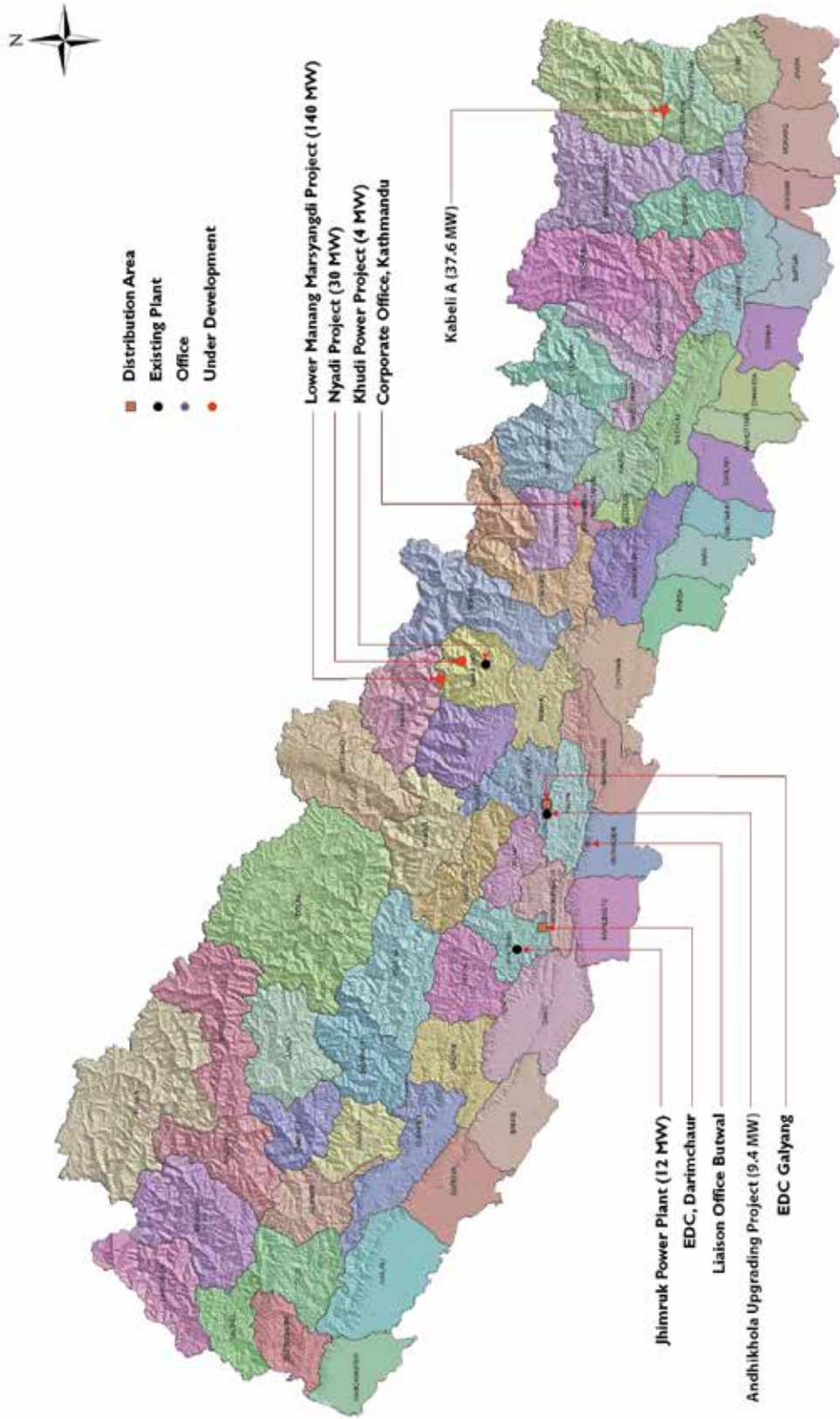
The Dam Safety Plan has complied with the operational policy requirement of World Bank and discussions are ongoing with GoN regarding the terms and conditions for availing the World Bank loan. Apart from WB, we are also in discussions with IFC and local banks for financing the project. The financial closure is planned to be completed within the 1st Quarter of 2014, and the construction will commence after financial closure. In the

FY 2070-71, KEL plans to complete upgrading work of access road, staff colony, remaining land procurement works, and connection agreement with NEA. 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 liter capacity water tank for the locals.



Our Presence



financial
statements
2013



AUDITOR'S REPORT TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

1. We have audited the accompanying financial statements of Butwal Power Company Ltd., which comprise the Balance Sheet as at Ashad 31, 2070, (July 15, 2013) and the related, Income Statement, Statement of Change in Equity, Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

2. Management is responsible for the preparation and fair presentation of these financial Statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and 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

3. 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 about whether the financial statements are free of material misstatement.

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

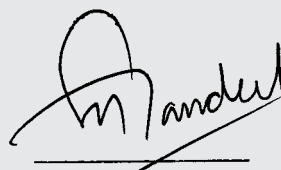
policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. On the basis of our examination, we would like to report that:
 - i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - ii. The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - iii. The Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
 - iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - v. We have not come across any fraudulence in the accounts.
5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashad 31, 2070 (July 15, 2013), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063.

For: S. R. Pandey & Co.
Chartered Accountants



CA. Sudarshan Raj Pandey
Partner

Place: Kathmandu
Date: 2070/08/28

STATEMENT OF FINANCIAL POSITION

As on 31 Ashadh 2070 (15 July 2013)

(in NPR)

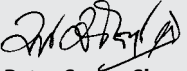
Particulars	Schedule	2069/70	2068/69
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	1,015,269,400	1,015,269,400
Reserve & Surplus	2	1,501,021,895	1,694,908,832
Total Shareholder's Fund		2,516,291,295	2,710,178,232
2 Grant Aid in Reserve	3	207,829,541	213,227,073
3 Long Term Loan	4	838,452,833	531,799,457
TOTAL		3,562,573,670	3,455,204,762
II APPLICATION OF FUND			
1 Non-Current Assets			
Property, Plant & Equipment	5		
Gross Block		2,298,153,111	2,292,891,330
Less: Depreciation		790,431,041	749,504,026
Net Block		1,507,722,070	1,543,387,305
Assets Held for Sale		3,170,203	-
Work in Progress	6	860,112,768	407,388,142
Investment in Share	7	1,082,501,219	999,287,472
Total Non- Current Assets		3,453,506,260	2,950,062,918
2 Current Assets:			
Stocks	8	35,956,105	42,856,537
Debtors & Accounts Receivable	9	276,274,595	283,625,622
Cash in Hand and at Bank	10	252,087,046	322,797,057
Advance & Deposit Paid	11	288,572,225	374,568,968
Total Current Assets		852,889,971	1,023,848,183
3 Less: Current Liabilities			
Short Term Loan		397,471,674	245,021,783
Creditors & Accounts Payable	12	277,761,444	193,807,980
Advance & Deposit Received	13	3,113,910	5,367,577
Provisions	14	39,312,790	66,771,324
Total Current Liabilities		717,659,818	510,968,665
Net Current Assets		135,230,153	512,879,519
4 Deferred Tax Liabilities		26,162,743	13,441,928
5 Deferred Revenue Expenditure		-	5,704,253
TOTAL		3,562,573,670	3,455,204,762

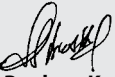
Schedule 1 to 14 form an integral part of this financial statement.

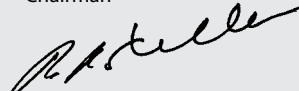

Radheshyam Shrestha
 Vice President- Finance

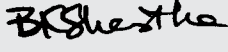

Pratik Man Singh Pradhan
 Officiating CEO



Padma Jyoti
 Chairman


Ratna Sansar Shrestha, FCA
 Director

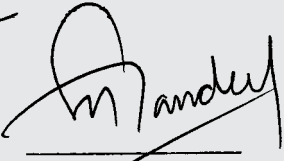

Pradeep Kumar Shrestha
 Director


Bijay Bahadur Shrestha
 Director


Bijaya Krishna Shrestha
 Director


Nabin Raj Singh
 Director


Chandi Prasad Shrestha
 Director


 As per our report of even date
Sudarshan Raj Pandey
 SR Pandey & Co.
 Chartered Accountants

Date: 28 Mangsir 2070 (13 December 2013)
 Place: Kathmandu, Nepal

STATEMENT OF INCOME

For the year ended 31 Ashadh 2070 (15 July 2013)

(in NPR)

Particulars	Schedule	2069/70	2068/69
OPERATING INCOME			
Electricity Sale to NEA		409,020,365	432,510,887
Electricity Sale to Consumers	15	94,537,323	85,921,727
Electricity Services	16	8,549,332	5,583,646
Management and Technical Support	17	-	81,133,055
Total Operating Income		512,107,020	605,149,314
OPERATING EXPENSES			
Generation Expenses	18	242,826,067	163,386,934
Distribution Expenses	19	68,332,890	59,166,853
Management and Technical Support Expenses	20	-	7,737,916
Project Development Expenses	21	-	15,855,647
Total Operating Expenses		311,158,958	246,147,349
GROSS OPERATING PROFIT		200,948,062	359,001,965
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	22	115,469,411	84,687,503
Depreciation	5	70,689,855	67,834,565
Provision for Loss/(Income) in Investment	23	(7,307,016)	48,291,984
Interest on Loan		48,461,275	35,789,173
Total Administrative and Other Expenses		227,313,524	236,603,225
INCOME FROM OTHER SOURCES			
Interest Income		28,521,560	32,785,809
Other Income	24	7,204,073	2,295,669
Depreciation Being Revenue Portion of Grant Aid		11,187,631	10,772,241
Dividend Income		241,408,453	374,956,929
Foreign Currency Exchange Gain/(Loss)		6,586,260	8,769,975
Gain/(Loss) on Disposal of Assets & Stock Materials	25	1,254,428	147,266
Total Income From Other Sources		296,162,404	429,727,888
PROFIT (LOSS) BEFORE BONUS & TAX		269,796,942	552,126,628
Employees's Bonus		5,290,136	11,400,409
Provision for Corporate Tax		7,901,648	43,781,451
Deferred Tax Expenses		12,720,815	13,441,928
NET PROFIT (LOSS) BEFORE APPROPRIATION		243,884,343	483,502,840
Last Years Balance		853,601,915	621,050,919
Profit for this Fiscal Year		243,884,343	483,502,840
Total		1,097,486,258	1,104,553,759
Less: Dividend Paid		(253,817,350)	(253,817,350)
Total Dividend		(253,817,350)	(253,817,350)
Prior Years Adjustment		(523,627)	2,865,506
Balance Transferred to Financial Position		843,145,281	853,601,915

Earnings per share- Basic	24.02	47.62
Earnings per share- Diluted	24.02	47.62

Significant Accounting Policies & Notes to Accounts

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Schedule 15 to 25 form an integral part of this financial statement.

Radheshyam Shrestha
Vice President- Finance

Pratik Man Singh Pradhan
Officiating CEO

Padma Jyoti
Chairman

Ratna Sansar Shrestha, FCA
Director

Pradeep Kumar Shrestha
Director

Bijay Bahadur Shrestha
Director

As per our report of even date

Bijaya Krishna Shrestha
Director

Nabin Raj Singh
Director

Chandhi Prasad Shrestha
Director

Sudarshan Raj Pandey
SR Pandey & Co.
Chartered Accountants

Date: 28 Mangsir 2070 (13 December 2013)

Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashadh 2070 (15 July 2013)

Particulars	Share Capital	Revaluation Reserve	General Reserve	Retained Earnings	(in NPR)	
					2069/70	2068/69
Balance as on 31st Ashadh, 2069	1,015,269,400	692,606,917	148,700,000	853,601,915	2,710,178,232	2,504,757,319
Adjustment for the Year	-	(183,430,303)			(183,430,303)	(27,130,083)
Dividend of FY 2067/68 paid					-	(253,817,350)
Dividend of FY 2068/69 paid				(253,817,350)	(253,817,350)	-
Profit for the Year				243,884,343	243,884,343	483,502,840
Prior Year's Adjustment				(523,627)	(523,627)	2,865,506
Balance as on 31st Ashadh, 2070	1,015,269,400	509,176,615	148,700,000	843,145,281	2,516,291,295	2,710,178,232

STATEMENT OF CASH FLOW

For the year ended 31 Ashadh 2070 (15 July 2013)

Particulars	2069/70	2068/69
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	269,796,942	552,126,628
Adjustment for:		
Ordinary Depreciation	59,502,224	57,062,324
Depreciation Charged to Grant Aid in Reserve	11,187,631	10,772,241
Foreign Currency Exchange (Gain)/Loss	(6,586,260)	(8,769,975)
Interest Expenses	48,461,275	35,789,173
Interest Received	(28,521,560)	(32,785,809)
Dividend Received	(241,408,453)	(374,956,929)
Provision on Loss/(income) in Investment	(521,504)	(38,240,038)
Provision for Expenses	8,942,773	(7,609,834)
(Gain)/Loss on disposal of Stock	(1,254,428)	(147,266)
Deferred Revenue Expenses	5,704,253	(808,758)
Written off of Assets	28,627,495	22,349,820
Operating Profit before Working Capital Changes	153,930,389	214,781,578
Decrease/(Increase) in Debtors & Accounts Receivable	7,351,027	(99,485,220)
Decrease/(Increase) in Stocks	8,154,860	40,703,495
Decrease/(Increase) in Advance & Deposit Paid	46,777,762	(54,408,685)
Increase/(Decrease) in Creditors & Accounts Payable	96,315,344	34,592,322
Increase/(Decrease) in Advance & Deposit Received	(2,253,667)	(11,489,942)
Cash Generated from Operations	310,275,715	124,693,548
Interest Paid	(48,461,275)	(35,789,173)
Foreign Currency Exchange Gain/(Loss)	6,586,260	8,769,975
Bonus Paid	(11,400,409)	(9,777,571)
Tax Paid	(4,562,471)	(70,515,114)
Prior year Adjustment	(523,627)	2,865,506
Net Cash Flows from Operating Activities (A)	251,914,193	20,247,170
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(247,082,417)	(139,166,139)
Assets Held for Sale	(3,170,203)	-
Investment in Share	(83,213,747)	(66,434,611)
Decrease/(Increase) in Work-in-Progress	(452,724,626)	(201,900,353)
Interest Received	28,521,560	32,785,809
Dividend Received	241,408,453	374,956,929
Net Cash Flows from Investing Activities (B)	(516,260,981)	241,636
Cash Flows from Financing Activities:		
Increase/(Decrease) in Grant Aid in Reserve	(5,397,532)	7,041,688
Increase/(Decrease) in Long Term Loan	306,653,376	413,688,042
Increase/(Decrease) in Short Term Loan	152,449,890	82,090,144
Dividend Paid	(260,068,957)	(245,413,850)
Net Cash Flows from Financing Activities (C)	193,636,777	257,406,026
Net Changes in Cash & Cash Equivalents (A+B+C)	(70,710,011)	277,894,832
Opening Cash and Cash Equivalents	322,797,057	44,902,225
Closing Cash and Cash Equivalents	252,087,046	322,797,057

Schedules to the Statement of Financial Position & Income

Fiscal Year 2069/70 (2012/2013)

Share Capital

Schedule No. 1
(in NPR)

Particulars	2069/70	2068/69
Authorised Capital:		
80,000,000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
Issued Capital		
17,000,000 Shares of Rs.100/- each	1,700,000,000	1,700,000,000
Paid up Capital:		
10,152,694 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
NIDC Development Bank Limited	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	2069/70	2068/69
General Reserve	148,700,000	148,700,000
Revaluation Reserve	509,176,615	692,606,917
Retained Earnings	843,145,281	853,601,915
Total	1,501,021,895	1,694,908,832

Schedule No. 3
(in NPR)

Grant Aid in Reserve

Particulars	2069/70	2068/69
NORAD Grant for JHEREP II A - R.E.	12,633,143	13,896,457
UMN PCS Assistance for Rural Electrification	23,492,098	25,086,617
USAID Grant for Rural Electrification	14,255,103	15,643,976
USAID Support for REGDAN	13,938,042	14,677,625
JRP Grant for Enhancement of Power Plant	6,895,494	8,187,544
NMFA Support for REEP	91,739,071	95,203,001
KADOORI VDC	1,535,060	1,093,451
Udaypurkot VDC	701,769	722,388
Dhungegadhi VDC	1,624,886	1,701,398
Hansapur VDC	2,554,611	2,346,143
Dhakabang VDC	6,101,042	5,378,143
Bhingree VDC	954,073	775,062
Markabang VDC	60,808	63,750
Dharampani VDC	524,473	549,847
Aladi VDC	3,911,222	4,011,553
Kalikakot VDC	4,046,835	4,026,502
Banethok Deurali VDC	2,409,205	2,517,855
Sorek VDC	393,296	411,979
Tindobate VDC	310,813	325,026
Sekham VDC	427,755	448,206
Darchha VDC	1,671,531	1,544,084
Rampur VDC	494,957	491,699
Heklang VDC	1,733,695	977,195
Kuwakot VDC	74,590	78,033
Gejha VDC	98,701	103,257
Walling (Pension Camp)	38,312	40,080
Sirsekot VDC	70,682	73,944
Dhapuk VDC	284,651	158,893
Nepal Telecom (Banethok)	98,285	102,821
Sakhar VDC	462,554	483,229
Gandakot VDC	2,749,729	2,520,052
Narange DWP, Pakala	892,054	933,219
Sari VDC	593,368	525,780
NEPAL TELECOM, Pyuthan	356,899	246,702
Bangesal VDC	3,168,130	2,690,402
DDC- Arghakhanchi	2,600,400	2,720,400
Pelakot	53,436	55,793
Kalikakot (NCELL)	172,695	180,314
Spice Nepal Pvt. Ltd. (Pyuthan)	1,207,885	1,257,590
Tiram VDC	119,568	124,842
Hungi (Ncell)	102,741	107,082
Pakawadi	18,650	19,438
Gejha (Ncell)	63,404	66,083
Thumpokara (Ncell)	161,146	167,955
Walling (Ncell)	231,992	241,795
Khaliban	5,136	5,354
Barjibang VDC	348,383	244,516
Walling Municipality	13,267	-
Jagat Bhanjyang	41,660	-
Ratnapur	5,657	-
Dharapani VDC	934,961	-
Dangbang VDC	451,625	-
Total	207,829,541	213,227,073

Schedule No. 4
(in NPR)

Particulars	2069/70	2068/69
NIC Asia Bank Limited	245,928,803	247,087,146
Mega Bank Nepal Limited	98,858,000	31,802,000
International Finance Corporation (IFC)	542,651,128	295,228,759
Sub Total	887,437,931	574,117,905
Less:	-	-
Principal Payable Within One Year	(48,985,097)	(42,318,448)
Sub Total	(48,985,097)	(42,318,448)
Total	838,452,833	531,799,457

Property, Plant and Equipment

Schedule No. 5

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 31st Ashadh, 2069	Addition during the Year	Adjustment during the Year	As at 31st Ashadh, 2070	As at 31st Ashadh, 2069	Adjustment during the Year	Provided during this Year	As at 31st Ashadh, 2070	As at 31st Ashadh, 2069 NPR
Group A : Property and Power Plant:									
i : BPC Funded Asset									
Land	58,141,088	6,448,441	6,106,432	70,695,961	-	-	-	70,695,961	58,141,088
Guesthouse,Stores,Offices,Quarters	90,259,250	143,699,326	(17,107,175)	216,851,400	23,105,511	(5,254,025)	3,505,031	21,356,517	195,494,883
Power Plant Electro-Mechanical Equipment	334,899,254	(12,247,502)	(7,488,992)	322,651,752	201,700,060	(10,804,484)	13,104,647	204,000,223	118,651,529
Power Plant Civil Works	316,187,469	977,553	(7,488,992)	308,698,477	224,653,040	(6,347,062)	12,449,004	230,754,981	77,943,495
Switching & Sub Station	10,906,228	21,497,738	3,324,022	11,883,781	1,072,862	-	436,249	1,509,111	10,374,670
Transmission & Distribution Line	347,453,241	(21,938,980)	(21,938,980)	372,275,001	166,965,380	315,593	14,031,094	181,312,067	190,962,934
Capital Stock	34,148,458	-	-	12,209,478	1,215,133	(1,225,291)	874,419	864,261	11,345,217
Sub - Total i	1,191,994,988	172,623,057	(49,352,195)	1,315,265,850	618,711,985	(23,315,269)	44,400,444	639,797,161	675,468,689
ii : Grant Aided Asset									
Transmission & Distribution Line	230,412,914	6,728,789	-	237,141,703	58,369,237	-	9,216,516	67,585,753	169,555,950
Power Plant Electro-Mechanical Equipment	15,574,320	-	-	15,574,320	7,111,843	-	622,973	7,734,816	7,839,504
Switching & Sub Station	33,703,548	-	-	33,703,548	3,535,328	-	1,348,142	4,883,470	28,820,078
Land	1,614,010	-	-	1,614,010	-	-	-	-	1,614,010
Sub - Total ii	281,304,791	6,728,789	-	288,033,580	69,016,408	-	11,187,631	80,204,039	207,829,541
Total A (i+ii)	1,473,299,779	179,351,846	(49,352,195)	1,603,299,430	687,728,393	(23,315,269)	55,588,075	720,001,199	883,298,231
Group B: Office Equipment & Furniture									
i : BPC Funded Asset									
Computer & Accessories	17,931,439	4,819,551	(1,940,162)	20,810,827	11,406,857	(1,708,686)	2,136,758	11,834,930	8,975,897
Furniture & Fixture	11,261,119	17,096,154	(876,822)	27,480,450	2,447,063	(376,061)	2,927,263	4,998,265	22,482,185
Office Equipment	31,964,692	43,756,289	(3,517,524)	72,203,458	11,683,192	(1,493,700)	4,822,857	15,012,350	57,191,108
Sub - Total i	61,157,249	65,671,993	(6,334,509)	120,494,734	25,537,113	(3,578,447)	9,886,879	31,845,545	88,649,190
ii : Grant Aided Asset									
Office Equipment	524,754	-	(524,754)	-	460,545	(460,545)	-	-	64,209
Sub - Total ii	524,754	-	(524,754)	-	460,545	(460,545)	-	-	64,209
Total B (i+ii)	61,682,003	65,671,993	(6,859,262)	120,494,734	25,997,657	(4,038,991)	9,886,879	31,845,545	88,649,190
Group C: Vehicle									
Vehicles	49,021,462	878,417	(214,947)	49,684,932	26,068,425	(1,108,396)	4,135,275	29,095,305	20,589,627
Group D: Workshop Plant and Equipment									
Workshop Plant & Equipment	13,663,520	219,111	(969,197)	12,913,435	8,342,038	(502,137)	796,609	8,636,510	4,276,925
Construction Equipment	50,000	-	-	50,000	46,798	-	480	47,278	3,202
Other Office Equipment & Tools	1,228,144	-	(674,943)	553,201	849,554	(544,502)	68,089	373,141	180,060
Total D	14,941,665	219,111	(1,644,140)	13,516,636	9,238,389	(1,046,639)	865,178	9,056,928	4,459,707
Group E: Intangible Assets									
Computer Software	1,339,505	961,049	(319,790)	1,980,764	471,161	(253,544)	214,447	432,064	868,344
Grand Total (A+B+C+D+E)	1,600,284,413	247,082,417	(58,390,334)	1,788,976,496	749,504,026	(29,762,839)	70,689,855	790,431,041	998,545,455
Total Asset BPC Funded	1,318,454,868	240,353,628	(57,865,581)	1,500,942,916	680,027,073	(29,302,295)	59,502,224	710,227,002	790,715,913
Total Asset Grant Aided	281,829,545	6,728,789	(524,754)	288,033,580	69,476,952	(460,545)	11,187,631	80,204,039	207,829,541
Revalued Asset:									
Land	224,139,088	-	-	224,139,088	-	-	-	-	224,139,088
Building	40,232,829	(655,841)	(655,841)	39,576,988	-	-	-	-	40,232,829
Power Plant & Machinery	428,235,000	(182,774,461)	(182,774,461)	245,460,539	-	-	-	-	428,235,000
Revalued Total Asset	692,606,917	(834,619,902)	(834,619,902)	509,176,615	-	-	-	-	692,606,917
Grand Total with revalued asset	2,292,891,330	247,082,417	(241,820,637)	2,298,153,111	749,504,026	(29,762,839)	70,689,855	790,431,041	1,507,722,070
Grand Total with revalued asset	2,292,891,330	247,082,417	(241,820,637)	2,298,153,111	749,504,026	(29,762,839)	70,689,855	790,431,041	1,543,387,305

Work in Progress

Schedule No. 6
(in NPR)

Particulars	2069/70	2068/69
A: Capital Work in Progress:		
Rural Electrification on MFA Grant (REEP)	-	3,705,212
BPC New Office Building	-	89,065,310
Infrastructure Facility	146,335	146,335
Shades and Stores	-	617,374
Galyang-Syangja Line Upgrading	-	860,513
Sub Total	146,335	94,394,745
B: Project Work in Progress:		
Andhikhola Upgrading	724,768,149	208,711,084
Lower Manang Marshyangdi HEP	135,169,785	104,022,830
Consultancy Expenses (Software)	28,500	259,483
Sub Total	859,966,433	312,993,397
Total	860,112,768	407,388,142

Investment in Shares (unlisted companies)

Schedule No. 7
(in NPR)

Particulars	2069/70	2068/69
A: Shares are at Cost Price		
Himal Power Limited	434,931,461	434,931,461
Nepal Hydro & Electric Limited	71,580,000	71,580,000
Hydro Lab (P) Limited	1,000,000	1,000,000
Khudi Hydropower Limited	50,400,000	50,400,000
Khudi Hydropower Limited (Preference Share)	57,600,000	57,600,000
BPC Services Limited	10,000,000	10,000,000
Nyadi Hydropower Limited	243,050,000	223,606,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	54,000,000	54,000,000
Hydro-Consult Engineering Limited	9,422,800	8,000,000
Gurans Energy Limited	16,600,000	-
Sub Total	949,223,761	911,756,961
B: Advance/Investment toward Share		
Khudi Hydropower Limited	20,350,000	20,350,000
Hydro-Consult Engineering Limited	-	1,422,656
Kirne HEP	42,241,707	41,556,244
Kabeli Energy Limited	145,233,632	106,233,632
Sub Total	207,825,339	169,562,532
Gross Investment	1,157,049,100	1,081,319,493
Less: Provision		
Khudi Hydropower Limited	(32,082,630)	(40,475,777)
BPC Services Limited	(223,544)	-
Kirne HEP	(42,241,707)	(41,556,244)
Total Provision	(74,547,881)	(82,032,022)
Net of Provision	1,082,501,219	999,287,472

StocksSchedule No. 8
(in NPR)

Particulars	2069/70	2068/69
General Stock/Office Supplies/Consumer Service Item	7,660,737	11,129,981
Stock of Electric Goods	3,153,218	3,325,189
Power House Equipment	11,054,610	16,255,654
T/L & D/L Stock	11,988,907	11,689,513
Steel Stock	193,730	219,645
GI Fittings	86,527	94,224
Vehicle Spareparts	122,354	138,476
Medical Stock	-	3,855
Other Stock	1,696,023	-
Total	35,956,105	42,856,537

Debtors & Accounts ReceivableSchedule No. 9
(in NPR)

Particulars	2069/70	2068/69
Sundry Debtors	1,063,080	1,157,372
Nepal Electricity Authority	13,293,038	25,202,194
NEA Receivable (more than 2 years)	5,228,843	5,228,843
Local Consumers	7,916,005	7,149,823
Other Receivables	2,545,910	670,626
Accrued Interest	42,630,605	27,442,536
Retention Receivable	30,000	30,000
Bank Guarantee Margin	-	129,000
Sulav Co-operative Society Limited	20,340	20,340
Stale Cheque	-	950,000
VAT Receivable	1,168,660	-
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	11,456,656	10,988,070
BPC Services Limited	6,650,280	6,348,485
Nyadi Hydropower Limited	53,424,872	68,420,209
BPC - SILT Joint Venture	-	851,306
BPC - HES - WRC Joint Venture	28,148	-
Kabeli Energy Limited	130,818,158	129,036,819
Total	276,274,595	283,625,622

Cash in Hand and at BankSchedule No. 10
(in NPR)

Particulars	2069/70	2068/69
Office Cash	459,592	313,932
Current Bank A/c	14,521,200	15,785,426
US Dollar A/c	8,929,570	6,095,738
Call/Time/Fixed Deposit	227,049,589	299,529,778
US Dollar Deposit	1,127,095	1,072,183
Total	252,087,046	322,797,057

Advance & Deposit Paid

Schedule No. 11
(in NPR)

Particulars	2069/70	2068/69
Advance Income Tax	20,717,704	59,936,684
Loan & Advance to Staff	828,672	83,431
Gratuity Fund in CIT	96,377,664	89,058,562
Deposits (Others)	1,162,146	3,030,696
Various Advances	3,542,359	1,464,785
Rabina Construction/Sharma & Co. JV	-	5,304,024
Prepaid Insurance Premium	-	1,000,000
S.N. Power	-	16,531
Prepaid Expenses	602,443	1,250,915
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	52,318,063	93,469,061
L/C Related Advances	2,279,782	-
Deposit against Tax Administrative Review	101,992,910	101,992,910
Government Deposits	4,111,000	1,333,000
Total	288,572,225	374,568,968

Creditors & Accounts Payable

Schedule No. 12
(in NPR)

Particulars	2069/70	2068/69
Sundry Creditors	30,907,094	34,871,856
Gratuity Fund Payable	105,904,580	93,433,220
Bonus Payable	5,290,136	11,400,409
Loyalty Bonus Fund	1,152,000	960,000
Retention Payable	18,780,578	8,864,679
Andhikhola Upgrading Project Payable/Retention	76,027,953	4,774,492
Audit Fee Payable	248,600	226,000
Royalty Payable	1,889,627	2,106,995
TDS Payable	3,986,216	3,043,393
Dividend Payable	11,029,669	17,281,277
VAT Payable	-	1,899,296
Employees Accounts Payable	8,163,584	12,194,983
Welfare Fund Clearing A/C	984,718	402,681
CIT Clearing A/C	2,933	400
PF Clearing A/C	4,530	-
Subsidiaries and Joint Venture:		
Nepal Hydro & Electric Limited	8,541,432	275,358
BPC - HES - WRC Joint Venture	-	296,981
Hydro-Consult Engineering Limited	4,847,795	1,775,960
Total	277,761,444	193,807,980

Advance & Deposit ReceivedSchedule No. 13
(in NPR)

Particulars	2069/70	2068/69
Customer Deposit	133,950	24,850
Security Deposit	141,685	387,129
Advance Received From NMFA	614,047	2,614,989
Advance Received from DDC and VDC	1,480,628	2,340,609
Scholarship Fund	743,600	-
Total	3,113,910	5,367,577

ProvisionsSchedule No. 14
(in NPR)

Particulars	2069/70	2068/69
Corporate Tax for the Year	7,901,648	43,781,451
Corporate Tax for 2060/61 (under Appeal)	16,774,216	16,774,216
Provision of Loss in Investment	-	521,504
Provision for Expenses	8,481,330	5,694,153
Provision for Cash Loss	252,097	-
Provision for Doubtful Debt	5,903,500	-
Total	39,312,790	66,771,324

Electricity Sale to ConsumersSchedule No. 15
(in NPR)

Particulars	2069/70	2068/69
Metered Consumers	78,098,706	70,721,384
Unmetered Consumers	323,289	428,286
Industrial Consumers etc.	14,226,091	12,482,070
User's Organization	1,889,236	2,289,987
Total	94,537,323	85,921,727

Electricity Services - IncomeSchedule No. 16
(in NPR)

Particulars	2069/70	2068/69
Fee and Charges	1,361,175	1,338,749
Sale of Meter/Cutout & Accessories	7,188,157	4,244,896
Total	8,549,332	5,583,646

Management and Technical Support : IncomeSchedule No. 17
(in NPR)

Particulars	2069/70	2068/69
Managemnet Support Service (Nyadi)	-	3,596,164
Managemnet and Advisory Service (HCPL)	-	432,089
Management Support Service (Kabeli)	-	17,162,675
Project Development Fee (Nyadi)	-	59,942,127
Total	-	81,133,055

Generation Expenses

Schedule No. 18
(in NPR)

Particulars	2069/70	2068/69
Electricity Purchase	94,751,509	33,761,190
Staff Cost	37,776,292	36,197,336
Office Overhead	6,436,597	5,190,579
Vehicle Operation & Maintenance	1,504,960	781,821
Environment, Community & Mitigation	1,386,236	5,246,105
Mitigation (River Training)	1,369,713	-
Mitigation (JDMP)	409,729	594,519
Power Plant Operation & Maintenance	8,854,320	12,466,922
Deferred Expense - Mitigation Works	5,251,132	5,274,980
Insurance	7,887,284	6,649,811
Royalty	52,626,946	56,974,968
Transmission Line Repair & Maintenance	279,018	235,387
Expenses Written Off	24,292,331	13,316
Total	242,826,067	163,386,934

Distribution Expenses

Schedule No. 19
(in NPR)

Particulars	2069/70	2068/69
Staff Cost	34,732,791	27,946,114
Office Overhead	4,810,154	3,862,659
Vehicle Operation & Maintenance	2,577,631	1,824,261
T/L Maintenance	223,796	167,439
D/L Network Operation & Maintenance	11,956,220	11,983,100
Subsidy on sales of meter	293,607	301,725
Cost of Sale	7,199,515	4,022,983
Insurance	749,630	451,637
Royalty	4,893,740	8,592,172
Expenses Written Off	895,806	14,763
Total	68,332,890	59,166,853

Management and Technical Support : Expenses

Schedule No. 20
(in NPR)

Particulars	2069/70	2068/69
Managemnet Support Service (Nyadi)	-	3,171,923
Management Support Service (Kabeli)	-	4,565,993
Total	-	7,737,916

Project Development: Expenses

Schedule No. 21
(in NPR)

Particulars	2069/70	2068/69
Marsyangdi III Project- Keton HP	-	15,855,647
Total	-	15,855,647

Schedule No. 22
(in NPR)

Administrative Expenses

Particulars	2069/70	2068/69
A: CEO's Remuneration and Expenses	6,901,074	11,231,185
B: Staff Cost:		
Salary	21,103,005	20,937,255
Allowance	17,383,835	17,862,805
Provident Fund	2,013,899	1,897,226
Paid Leave	3,378,107	5,706,501
Daily Wage	14,700	81,632
Overtime	1,535,715	1,407,162
Gratuity	3,167,569	4,169,111
Insurance	488,721	472,707
Festival Allowance	1,793,448	1,731,140
Performance Allowance	2,606,952	2,715,566
Sub-total	53,485,951	56,981,105
C: Office Overhead:		
General Office Overhead	24,706,665	10,775,811
Training and Development	1,064,623	3,164,803
CSR Expenses	683,683	3,101,512
External Audit Fee and Expenses	553,157	341,504
Internal Audit Fee and Expenses	681,627	634,024
ISO and Other Audit Fee and Expenses	1,045,443	384,433
Board Meeting Expenses	1,273,764	840,295
AGM Expenses	411,541	369,182
Vehicle O & M Expenses	314,527	377,349
Consultancy Expenses	5,159,134	4,550,450
Out Sourcing Service	1,006,744	979,574
Legal Expenses	988,814	50,550
Share Registrar/Related Expenses	550,295	216,744
Listing Fee/Renewal Expense	50,000	50,000
Insurance and Property Taxes	2,026,499	1,476,469
Communication Expenses	2,906,121	2,426,006
Travel/Daily Allowance	5,147,562	3,306,335
Union Expenses	478,340	470,344
Write Off Expenses	11,577,884	138,071
Bad Debt Expenses	5,903,500	-
Loss on Project CWIP	928,679	-
Project License Fee/Renewal	20,000	-
Overhead Charged to Projects	(12,396,216)	(17,178,244)
Sub-total	55,082,386	16,475,214
Total Administrative Expenses	115,469,411	84,687,503

Provision of Loss/(Income) in Investment

Schedule No. 23
(in NPR)

Particulars	2069/70	2068/69
Khudi Hydropower Limited	(8,393,148)	4,811,026
JIDCO	-	1,924,714
Kirne HEP	685,463	41,556,244
JV of BPC/SILT	177,124	-
BPC Services Limited	223,544	-
Total	(7,307,016)	48,291,984

Other Income

Schedule No. 24
(in NPR)

Particulars	2069/70	2068/69
Housing Services	69,868	137,227
Guest House Income	196,570	171,245
Income from Other Sources	6,937,635	1,940,988
Store Services	-	209
Equipment on Hire	-	46,000
Total	7,204,073	2,295,669

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

Schedule No. 25
(in NPR)

Particulars	2069/70	2068/69
Sale Proceed of Stock Materials	6,728,789	6,587,696
Less: Cost of Stock Materials	(6,728,789)	(6,587,696)
Gain/(Loss) on Sale of Assets/Scrap Materials	1,254,428	147,266
Total	1,254,428	147,266

Significant Accounting Policies and Notes Relating to the Annual Account

For the Fiscal Year 2069/70 (2012/13)

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 include:

- Generation of Hydro electricity
- Distribution of Hydro electricity
- Project Development

The financial statements apply to the financial year ended 31st Ashadh 2070 (15th July 2013).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on December 13, 2013 (Mangsir 28, 2070). The Board of Directors acknowledges the responsibility of preparation of financial statements.

2. Basis of Presentation

BPC's financial statements are prepared in accordance with Nepal Accounting Standard and the prevailing

Company Act 2063 (2006) and the Electricity Act 2049. Except where otherwise stated, they are based on accrual and historical cost convention basis. These policies have been consistently applied to all the years presented unless stated otherwise.

3. Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

4. Summary of Significant Accounting Policies

A. CAPITALIZATION OF FIXED ASSETS

Effective from FY 2067/68 BPC has followed the policy to record operating fixed assets consisting of land, building, power plant and machinery at revalued amount excluding transmission and distribution line and infrastructure. 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 shall be debited directly to equity under heading revaluation surplus to the extent of any credit balance exists in the revaluation surplus in respect of that asset.

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

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

Rural electrification networks are capitalized according to actual accumulated direct overhead and direct material costs used in erection and commissioning. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR 10,000 per unit is charged to the profit and loss account in the year of purchase.

B. 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. Depreciation on addition to fixed assets during the year is charged on monthly time proportion basis. Depreciation charge for each period has been recognized in profit or loss. However, depreciation in respect of revaluation of assets is transferred from revaluation reserve.

C. GRANT AID IN RESERVE

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

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

D. INVENTORY

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

E. FOREIGN CURRENCY

Transactions in foreign currency are stated in terms using the exchange rate prevailing on the date of transaction. Foreign currency assets and liabilities held in foreign currency on the date of

balance sheet are given in Nepalese rupees using the buying rate of Nepal Rastra Bank on that date. Foreign currency exchange conversion differences are transferred to the profit and loss account.

F. ON-GOING CONTRACTS AND PROJECTS

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

G. RETIREMENT BENEFITS

Retirement benefits for employees include the provident fund, gratuity and leave benefit schemes. Periodic contributions made to the provident fund are charged to revenue on accrual basis. Provision for gratuity is made in accordance with NAS 14 (IAS 19) 'Employees benefits' employing actuarial assumption. While, provision for leave has been made on the basis of actual liability calculated in accordance with BPC's leave benefit scheme.

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

H. PROVISION FOR EMPLOYEE BONUSES

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

I. DIVIDEND INCOME

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

J. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

K IMPAIRMENT OF ASSETS

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. Impairment of assets is recognized when carrying amount of the assets exceeds its recoverable amount and is recognized in profit and loss account. Obsolete, unusable and un-repairable asset/materials are written off on written down value and disposed off.

L. DIVIDEND AND PROPOSED BONUS SHARES

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

M. CHANGES IN ACCOUNTING POLICIES

In compliance with NAS, from the FY 2069/70 the company has changed its policy to charge Deferred Revenue Expenditures in the same year in which such expenditure are incurred

5. 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 (GoN) issued 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained 9.09% shareholding. Similarly, shareholdings 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 date stands at NPR 1,015,269,400. The closing market price of the share, as on balance sheet date was NPR 830/- 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

The change in accounting policy in deferred revenue expenditure has resulted decrease in profit by NPR 6 million in FY 2069/70.

C. GRANT AID IN RESERVE

The depreciation on grant aided assets for the year of NPR 11,187,631 has been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation (in NPR)	Closing Balance (in NPR)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	12,633,143
UMN PCS contributions for rural electrification	1,594,519	23,492,098
USAID grant for rural electrification	1,388,873	14,255,103
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	13,938,042
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	353,361	6,895,494
NFMA Support for Rural Electrification Expansion Project	4,091,889	91,739,071
Local VDC/Community	1,756,092	44,876,590
Total Grant Aid in Reserve	11,187,631	207,829,541
Total Grant Aided Assets		207,829,541

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	2,430,500	100	243,050,000	243,050,000	97.22
Kabeli Energy Limited	540,000	100	54,000,000	54,000,000	54
Hydro-consult Engineering Limited (Previously HCPL)	94,228	100	9,422,800	9,422,800	80
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Hydro Lab (P) Limited	10,000	100	1,000,000	1,000,000	20.0
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	1.61
Gurans Energy Limited	166,000	100	16,600,000	16,600,000	40

FAIR VALUE OF THE INVESTMENTS

The fair market value of the BPC's investment in shares in its subsidiaries and associates on equity basis as on balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NPR 480.15 million has been identified as on 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 3.066 billion worth of electricity in FY 2069/70 and has a net worth of NPR 4.866 billion.

BPC has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.

NEPAL HYDRO & ELECTRIC LIMITED

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. The current shareholders are BPC, IKNI, 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 was recently approved by DoI.

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

The turnover of the company in FY 2069/70 was NPR 451 million and its net worth is NPR 231.84 million.

KHUDI HYDROPOWER LIMITED

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 14.13% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

KHL sold NPR 96.137 million worth of electricity in FY 2069/70 and its net worth as of 31st Ashad 2070 was NPR 113.36 million.

NYADI HYDROPOWER LIMITED

Nyadi Hydropower Limited (NHL) was established to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO. BPC is planning to hold 51% shareholding by divesting 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's equity investment in this company has increased by NPR 19,444,000 in this year. The project is under PPA finalization stage. However, recent concern of NEA to stop foreign currency PPA for the new hydropower companies has adversely affected this project. Accordingly, all the developmental activities of this project have now been postponed till for the period foreign currency PPA is reinstated.

KABELI ENERGY LIMITED

Kabeli Energy Ltd. is a special purpose vehicle established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The project is under finalization stage of PPA and financial closure with World Bank, IFC and local banks.

HYDRO-CONSULT ENGINEERING LIMITED (PREVIOUSLY HCPL)

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

Its turnover in FY 2069/70 is NPR 59.59 million and its net worth is NPR 35.70 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 2069/70 is NPR 0.256 million and its net worth is NPR 9.77 million.

HYDRO LAB PRIVATE LIMITED

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

The turnover of Hydro Lab in this fiscal year was NPR 40.17 million. At the end of the fiscal year its net worth was NPR 65.09 million.

JUMDI HYDROPOWER PRIVATE LIMITED

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

GURANS ENERGY LIMITED

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and investment backing for BPC's existing pipeline of hydropower projects as well as undertakes additional projects.

BPC has invested NPR 16.6 million in the shares of GEL till the end of FY 2069/70. The initial joint venture pipeline includes interests in the following advanced projects:

- Kabela A is a 37.6 MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US \$95 million.
- Nyadi is a 30 MW run-of-river hydro power plant with an estimated capacity factor of 67% with an estimated capital cost of US\$ 74 million.

ii. PROVISION FOR LOSS/INCOME IN INVESTMENT

Provision for loss was made in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements in compliance with NAS. This year, the accumulated loss in Khudi Hydropower Limited is decreased by NPR 8,393,148 and accumulated loss in BPC Services Limited is increased by 223,545 and accumulated loss in JV of BPC/Silt is increased by NPR 177,124. Similarly, additional provisions NPR 685,463 has been made for advances towards investment in shares of Kirne HEP since it failed to secure commercially viable PPA. This has resulted increase in income by NPR 7,307,016 in profit and loss account.

e. CASH IN HAND AND AT BANK / BANK OVERDRAFT

Cash in hand and at Banks include short-term time deposits amounting to NPR 101.7 million maintained at Nepal SBI Bank Limited, with maturity dates of Aug. 25, Oct. 22 and Dec. 15, 2013 for deposits amounting to NPR 16.5 million, NPR 15.9 million and NPR 69.3 million respectively. These deposits are maintained as reserve in accordance with loan agreement for Anghikhola up-grading project 9.4 MW with IFC.

Cash at banks also include foreign currency balance of US\$ 105,859.23. The overdraft/bank loan facility from banks has been obtained against the security of Jhimruk generation revenue and assets and company's corporate guarantee.

f. SALE/(PURCHASE) OF ELECTRICITY: ANDHIKHOLA POWER PLANT

Particulars	kWh	Amount (in NPR)
Total electricity generation	14,011,700	
Total sales	24,372,575	
Sale to NEA	8,327,118	37,305,490
Sale to local consumers	16,045,457	69,333,981
Internal consumption	199,437	
Transit loss	3,710,481	
Purchase from NEA	(20,559,627)	(84,754,381)

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

Particulars	kWh	Amount (in NPR)
Total electricity generation	68,170,798	
Total sales	63,552,354	
Sale to NEA	59,954,012	371,714,874
Sale to local consumers	3,598,342	25,203,342
Internal consumption	201,676	
Transit loss	2,456,925	
Purchase from NEA	(1,612,440)	(9,997,128)

h. MANAGEMENT AND TECHNICAL SUPPORT EXPENSES

With effect from FY 2069/70 BPC has followed the policy not to charge management and technical

support services fees to subsidiary project companies Kabeli Energy Limited (KEL) and Nyadi Hydropower Limited (NHL) as substantial technical support from BPC is not required and also to comply the clause 10.11 of the share purchase agreement between Gurans Energy Limited (Joint venture of BPC and InfraCo Asia, Development, Singapore) and Butwal Power Company Limited

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	2,846,842	241,408,453
Total		241,408,453

BPC has followed the policy to recognize dividend income on cash basis.

k. PROVISION FOR CORPORATE TAX

Tax provision has been made on income from Hydropower Plants (Jhimruk & Andhikhola Power Plants) and from other sources as per applicable tax rule. The dividend received from HPL is net of tax. Hence, no tax provision is made for this income.

Particulars	Taxable income	Tax provision
Hydropower Income	60,533,091	79,01,648
Other Income/(loss)	(16,635,047)	-
Total	43,898,044	79,01,648

I. TRANSACTIONS WITH RELATED PARTIES

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

Name of transaction party	Amount (in NPR)	Items/Services procured
Mercantile Communications (P) Ltd	894,734	Internet and VSAT Service
Syakar Trading Co. Pvt. Ltd.	181,836.99	Vehicle repair Maintenance

m. THOSE CHARGED WITH GOVERNANCE

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

Mr. Padma Jyoti	- Chairman
Mr. Pradeep Kumar Shrestha	- Director
Mr. Bijay Bahadur Shrestha	- Director
Mr. Bijaya Krishna Shrestha	- Director
Mr. Ratna Sansar Shrestha, FCA	- Director
Mr. Nabin Raj Singh	- Director
Mr. Chandi Prasad Shrestha	- Director
Mr. Anup Kumar Upadhyaya	- Former Director (From 3 Jestha 2062 to 27 Magh 2069 and 10 Srawan 2070 to 24 Mangsir 2070)
Mr. Sriranjana Lacoul	- Former Director (From 28 Magh 2069 to 9 Srawan 2070)
Mr. Rajib Rajbhandari	- Alt. Director
Mr. Sanjib Rajbhandari	- Alt. Director
Mr. Om Prakash Shrestha	- Alt. Director

n. KEY MANAGEMENT PERSONNEL

Mr. Pratik Man Singh Pradhan - Officiating Chief Executive Officer

Note: Mr. Ranjan Lohar was the Chief Executive Officer of BPC till Bhadra end, 2070. After expiry of his term of employment, Mr. Pratik Man Singh Pradhan, Vice President, P&BD has been designated as Officiating CEO with effect from Ashwin 1, 2070.

o. COMPENSATION TO CEO

Categories	Amount in NPR
Regular employee benefits	6,901,074
Post-employment benefits (Loyalty Bonus)	192,000
TOTAL	7,093,074*

* This relates to cost incurred to then CEO.

The then CEO was provided Profit Linked Incentive of NPR 2,771,268.40 and Milestone Business Plan Linked Incentive of NPR 1,847,040.00 totaling NPR 4,618,308.40 for as per his performance evaluation for 5 years (from FY 2064/65 up to 2068/69), which have been charged as expense in FY 2068/69.

Regular employee benefit cost includes cost of vehicle and residence facility provided to the Chief Executive Officer as per the terms of his appointment.

p. PAYMENT MADE TO BOARD OF DIRECTORS

The following provides payment made to Board of Directors of the BPC during the year.

Nature of expenses	Current Year (in NPR)
Meeting Allowances	543,000
Telephone, Mobile & Newspapers/ Magazines	270,000

q. TRANSACTION WITH SUBSIDIARIES

Following transactions were carried out with the subsidiary companies:

Transaction with	Purchase (in NPR)	Sale (in NPR)	Advance (in NPR)	Receivable (Payable) in (NPR)
Nepal Hydro & Electric Ltd.	19,950,815	158,385		(8,613,689)
Khudi Hydropower Limited			20,350,000	11,456,656
BPC Services Limited			6,650,280	6,650,280
Nyadi Hydropower Limited				53,424,872
Hydro-Consult Engineering Limited	12,455,982			(4,847,7951)
Kabeli Energy Limited			130,818,158	130,818,158
Total	32,406,797	158,385	157,818,438	145,258,326

r. 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.

s. 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 at downstream areas. The status of this support as on balance sheet date is as follows.

Particulars	Contributions (in NPR)			Total
	NMFA	BPC	Community Contribution	
Fund received during the year	-			
Interest earned	62,327			
Total NMFA Grant for the year	62,327			
Funds used (expenditure)				
REEP	629,032	250,241	0	879,273
JDMP	1,434,237	409,729	352,562	2,196,528
Fund used for the year	2,063,269	659,970	352,562	3,075,801
Fund surplus for the year	(2,000,942)			
Fund balance b/f	2,614,989			
Total NMFA Fund balance	614,047			

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 1,878,592 (including BPC's contribution of NPR 1,250,633) is capitalized; the NMFA portion of JDMP, NPR 1,434,237 has been adjusted from advance received from NMFA and the BPC portion of JDMP, NPR 409,729 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.

t. CONTINGENT TAX LIABILITY

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

Period	Additional Tax Liability NPR	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 2065/66 has been completed.

u. DEFERRED TAX

Deferred tax is calculated as per Nepal Accounting Standard (NAS). The liability of NPR 26.16 million arises from the calculation of deferred tax because of temporary timing differences has been shown in the balance sheet separately as deferred tax liabilities. Similarly, provision for deferred tax expenses amounting to NPR 12.72 has been made in this Fiscal Year. Tax rate at 18% have been applied for computing deferred tax of hydro related activity while tax rate at 25% is applied for normal activity. The computation table is as follows;

(NPR in million)

Particulars	Carrying Amount	Tax Base	Diff. Asset/ (Liability)	Tax Rate	Deferred tax Asset / (Liability)
WDV of Depreciable Assets (HO)	274.91	280.31	5.40	25%	1.35
WDV of Depreciable Assets (Hydro power)	645.83	438.19	(207.64)	18%	(37.38)
Provisions (HO)	36.13	-	36.13	25%	9.03
Provisions (Hydropower)	4.63	-	4.63	18%	0.83
Total Closing Balance as on July 15, 2013			(161.50)		(26.16)
Opening balance of Deferred tax Assets / (Liability) as on July 15, 2012					(13.44)
Charge for the year					(12.72)

v. 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 1100 million for 54% shareholding of which BPC has invested NPR 365 million as on reporting date.

ii. 30-MW Nyadi Hydropower Project

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

BPC's part of capital commitment on this project is NPR 1100 million for 51% shareholding after set aside for locals/public and other promoter groups; of which BPC has invested NPR 300 million as on reporting date.

iii. 93-MW Lower Manang Marsyangdi Hydropower Project

BPC has got survey license of 93 MW capacities Lower Manang Marsyangdi Project in May 2009. The project has been optimized for 140 MW capacity. The project is located in Tachebagar 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 135 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 an approximately 60 MW Kirne hydro-electric project as SN Power has obtained a survey license in November 2008 to carry out the activities in connection with the development of the project. BPC will invest for 16.88% shareholding in this project as agreed among the partners and invested NPR. 42.24 million till 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.

v. 9.4 MW Andhikhola Upgrading Project

The existing 5.1 MW Andhikhola hydropower plant, located in Syangja district, is in the process of upgrading to 9.4 MW. The project cost is estimated at NPR 1314 million. 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 on May 2010 and for additional loan of USD 2.5 million was signed on March 2013. NPR 257 million is being availed from Mega Bank Limited. Project assets have been mortgaged for the procurement of above loans. BPC has borne the balance portion as equity investment. Till the end of FY 2069/70 NPR 774 million has been spent in the project.

w. TENURE OF THE LICENSE OF EXISTING POWER PLANTS

The tenure of the license of 5.1 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be

ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

x. INCIDENT AT JHIMRUK

On Poush 23, a mob of thousands of people gathered around the Jhimruk Hydropower project area against the announcement of load shedding and vandalized and blazed the office, store, staff quarters, guest house, and vehicles causing severe damage to the infrastructure and materials. The total loss estimated is NPR 82.64 Million including building, office stock, office equipment, furniture, vehicles damage, generation loss and employees' personal loss. Insurance claim against these damages has been lodged with the insurer and the settlement process is in progress.

y. FIGURES OF THE PREVIOUS YEAR AND ROUNDING OFF

The figures of F/Y 2068/69 have been regrouped and reclassified in following line items to make comparison with the figures of FY2069/70 as given in table below;

Particulars	Last Year Amount	This Year Amount	Differences
Investment in Share	1,081,319,494	999,287,472	82,032,022
Provisions	148,803,346	66,771,324	82,032,022

Investment has been shown as net of provision from this year.

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

consolidated
financial statements

2013



AUDITOR'S REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

1. We have audited the accompanying consolidated financial statements of Butwal Power Company Ltd., which comprise the Consolidated Balance Sheet as at Ashad 31, 2070, (July 15, 2013) and the related, Consolidated Income Statement, Consolidated Statement of Change in Equity, Consolidated Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial Statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and 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

3. 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 about whether the financial statements are free of material misstatement.

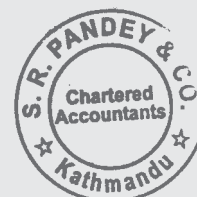
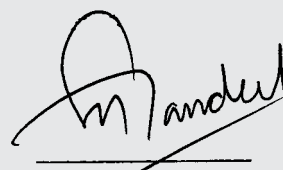
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects the consolidated financial position of **Butwal Power Company Limited**, as at Ashad 31, 2070 (July 15, 2013), and of the results of its financial performance and its cash flows for the year then ended in accordance with relevant practices.

For: S. R. Pandey & Co.
Chartered Accountants



CA. Sudarshan Raj Pandey
Partner

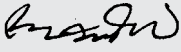
Place: Kathmandu
Date: 28 Magh, 2070

Consolidated Statement Of Financial Position

As at Ashadh 31, 2070

(All Amounts in Thousands)

Particulars	As at Ashadh 31,2070	As at Ashadh 31,2069
I EQUITY & LIABILITIES		
1. Shareholder's Fund		
(a) Share Capital	1,015,269	1,015,269
(b) Reserve & Surplus	1,506,401	1,719,292
2. Non Controlling Interest	176,678	168,245
3. Non Current Liabilities		
(a) Grant Aid in Reserve	207,830	213,227
(b) Other Funds	10,514	9,815
(c) Mid Term & Long Term Debt	1,119,208	782,755
(d) Advance Toward Share Capital	10,819	113,336
(e) Deferred Tax Liability	26,163	13,442
4. Current Liabilities		
(a) Creditors & Other Payables	446,390	269,874
(b) Short-term Loan	562,184	391,996
(c) Advance & Deposit received	10,503	15,781
(d) Provisions	94,432	198,825
Total	5,186,391	4,911,858
II ASSETS		
1. Non-Current Assets		
(a) Net Property, Plant & Equipment	2,114,270	2,152,684
(b) Assets Held for Sale	3,170	-
(c) Work in Progress	1,570,141	1,063,321
(d) Non-Current Investments	570,688	605,973
(e) Investment in Associates	15,378	8,924
(f) Preoperating Expenses	2,944	11,590
(g) Deferred Tax Assets	14,578	15,452
Total Non-Current Assets	4,291,169	3,857,945
2. Current Assets		
(a) Cash in Hand and at Bank	270,395	336,411
(b) Advances & Deposits	372,584	445,902
(c) Debtors & Accounts Receivable	150,459	148,502
(d) Inventories	101,785	123,098
Total	5,186,391	4,911,858

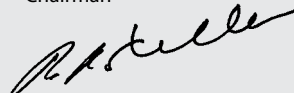

Radheshyam Shrestha
 Vice President- Finance


Pratik Man Singh Pradhan
 Officiating CEO


Padma Jyoti
 Chairman


Ratna Sansar Shrestha, FCA
 Director

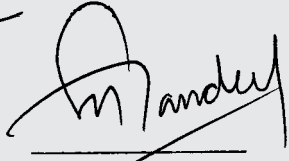

Pradeep Kumar Shrestha
 Director


Bijay Bahadur Shrestha
 Director


Bijaya Krishna Shrestha
 Director


Nabin Raj Singh
 Director


Chandni Prasad Shrestha
 Director


 As per our report of even date
Sudarshan Raj Pandey
 SR Pandey & Co.
 Chartered Accountants


Date: 26 Magh, 2070 (9 February 2014)
 Place: Kathmandu, Nepal

Consolidated Statement of Profit and Loss Account

As at Ashadh 31,2070

(All Amounts in Thousands)

Particulars	For the year ended Ashadh 31,2070	For the year ended Ashadh 31,2069
Revenue from Operations	1,049,408	1,111,963
I Total Revenue	1,049,408	1,111,963
Expenses		
Power Plant Expenses/Direct Expenses	650,380	560,699
Administrative Expenses	200,202	162,898
Depreciation Expenses	109,250	105,142
Amortisation Expenses	3,126	2,943
Interest Expenses	98,592	90,552
Other Expenses	(6,001)	49,599
II Total Expenses	1,055,549	971,833
Income from other Sources		
Interest Income	12,332	35,732
Other Income	7,588	4,175
Depreciation Being Revenue Portion of Grant Aid	11,188	10,772
Dividend Income	241,408	374,957
Foreign Currency Exchange (Loss)/Gain	5,501	7,996
Non operating income	8,963	12,505
Gain(Loss) on Sale of Assets & Scrap Materials	1,337	147
III Total Income from Other Sources	288,318	446,284
IV Profit (Loss) Before Bonus & Tax	282,176	586,414
Share of Loss/(Profit) from Associates	1,222	(7,924)
Deferred Tax Expenses / (Income)	13,595	11,925
Provision for Employee's Bonus	7,590	15,088
Provision for Housing	697	1,542
Provision for Corporate Tax	16,254	53,361
Income Tax of Previous Years	2,393	-
V Profit (Loss) after Tax	240,424	512,421
Non Controlling Interest	7,520	9,067
VI Profit (Loss) after Non Controlling Interest	232,904	503,354
VII Earnings per Equity Share (NPR)		
(1) Basic	22.94	49.58
(2) Diluted	22.94	49.58



Radheshyam Shrestha
 Vice President- Finance


Pratik Man Singh Pradhan
 Officiating CEO



Padma Jyoti
 Chairman


Ratna Sanjar Shrestha, FCA
 Director

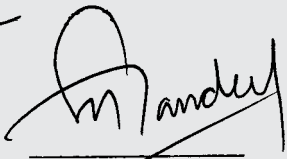

Pradeep Kumar Shrestha
 Director


Bijay Bahadur Shrestha
 Director


Bijaya Krishna Shrestha
 Director


Nabin Raj Singh
 Director


Chandhi Prasad Shrestha
 Director



As per our report of even date

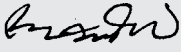
Sudarshan Raj Pandey
 SR Pandey & Co.
 Chartered Accountants

Date: 26 Magh, 2070 (9 February 2014)
 Place: Kathmandu, Nepal

Consolidated Statement of Cash Flow

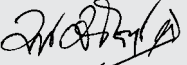
As at Ashadh 31,2070


Particulars	For the year ended Ashadh 31,2070	For the year ended Ashadh 31,2069
Profit (Loss) before Bonus and Tax	282,176	582,727
Adjustment:		
Ordinary Depreciation	98,246	95,646
Depreciation Charged to Grant Aid in Reserve	11,188	10,772
Foreign Currency Exchange (Gain)/Loss	(5,501)	(8,657)
Interest Expenses	99,079	90,552
Interest Income	(318)	(36,622)
Dividend Income	(241,408)	(374,957)
Provision on Loss/(income) in Investment	(522)	43,792
Provision for Expenses	15,142	7,268
(Gain)/Loss on disposal of Stock	(1,337)	(147)
Deferred Revenue Expenses/Pre operating Expenses	9,784	(809)
Written off of Assets	29,168	25,293
Reverse of other Income	-	(584)
II Operating Profit before Working Capital Changes	295,697	434,275
Decrease/(Increase) in Debtors & Accounts Receivable	(18,367)	(168,942)
Decrease/(Increase) in Stocks	22,568	78,536
Decrease/(Increase) in Advance & Deposit Paid	30,344	(55,993)
Increase/(Decrease) in Creditors & Accounts Payable	233,789	105,578
Increase/(Decrease) in Advance & Deposit Received	(5,278)	(10,890)
III Cash Generated from Operations	558,753	382,564
Interest Paid	(99,079)	(76,998)
Foreign Currency Exchange Gain/(Loss)	5,501	8,757
Bonus Paid	(15,039)	(13,255)
Tax Paid	(13,708)	(85,150)
Gratuity/Leave money paid	-	(3,640)
Prior year Adjustment	(623)	2,669
I Net Cash Flows from Operating Activities (A)	435,805	214,946
Purchase of Fixed Assets	(286,298)	(166,619)
Assets Held for Sale	(3,170)	-
Investment in Share	(83,214)	(148,467)
Decrease/(Increase) in Capital Work-in-Progress	(528,697)	(492,680)
Interest Received	31,759	36,622
Dividend Received	241,408	374,957
Proceeds from sales & write off of Fixed Assets	4	-
II Net Cash Flows from Investing Activities (B)	(628,207)	(396,186)
Increase/(Decrease) in Grant Aid in Reserve/ Fund	(5,398)	7,042
Issue of share capital/Advance against share capital	(80,739)	157,030
Increase/(Decrease) in Long Term Loan	336,453	420,612
Increase/(Decrease) in Short Term Loan	144,495	108,842
Dividend Paid	(260,151)	(245,414)
III Net Cash Flows from Financing Activities (C)	134,661	448,112
IV Net Changes in Cash & Cash Equivalents (A+B+C)	(66,016)	266,871
V Opening Cash and Cash Equivalents	336,411	69,539
VI Closing Cash and Cash Equivalents	270,395	336,411



Radheshyam Shrestha
 Vice President- Finance

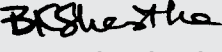

Pratik Man Singh Pradhan
 Officiating CEO



Padma Jyoti
 Chairman


Ratna Sansar Shrestha, FCA
 Director



Pradeep Kumar Shrestha
 Director


Bijay Bahadur Shrestha
 Director


Bijaya Krishna Shrestha
 Director


Nabin Raj Singh
 Director


Chandi Prasad Shrestha
 Director


 As per our report of even date
Sudarshan Raj Pandey
 SR Pandey & Co.
 Chartered Accountants

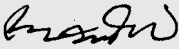
Date: 26 Magh, 2070 (9 February 2014)
 Place: Kathmandu, Nepal

Consolidated Statement of Changes in Equity

As at Ashadh 31, 2070

(All Amounts in Thousands)

S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As on Ashadh 31, 2070
I	Balance as on 31st Ashadh, 2069	1,015,269	692,607	148,700	-	877,985	2,734,561	168,245	2,902,806
	Opening Adjustments					(8,024)	(8,024)	-	(8,024)
	Revaluation Adjustment	-	(183,430)				(183,430)		(183,430)
	Issue of Share Capital							914	914
	Dividend of FY 2068/69 paid					(253,817)	(253,817)		(253,817)
	Profit for the Year					232,904	232,904	7,520	240,424
	Prior Year's Adjustment					(524)	(524)		(524)
II	Balance as on 31st Ashadh, 2070	1,015,269	509,177	148,700	-	848,524	2,521,670	176,678	2,698,348



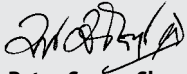
Radheshyam Shrestha
Vice President- Finance



Pratik Man Singh Pradhan
Officiating CEO



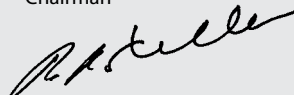
Padma Jyoti
Chairman



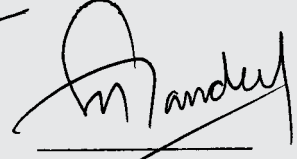
Ratna Sanjar Shrestha, FCA
Director



Pradeep Kumar Shrestha
Director



Bijay Bahadur Shrestha
Director



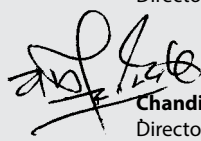
As per our report of even date



Bijaya Krishna Shrestha
Director



Nabin Raj Singh
Director



Chandi Prasad Shrestha
Director

Sudarshan Raj Pandey
SR Pandey & Co.
Chartered Accountants

Date: 26 Magh, 2070 (9 February 2014)
Place: Kathmandu, Nepal

Notes to the Consolidated Financial Statement

for the Fiscal Year 2069/70

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

2.2 Use of estimates

The preparation of consolidated financial statements requires the management to make estimates and assumptions that are considered while reporting amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and income and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

2.3 Consolidation

(a) Subsidiaries

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

another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

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

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

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

(b) Non Controlling Interest

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

(c) Associates

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Property, plant and equipment

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

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

2.6 Intangible Assets

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

2.7 Offsetting current assets and liabilities

Current Assets and Liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Cash and cash equivalents

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

2.9 Share capital

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

2.10 Borrowings

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

2.11 Revenue recognition

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

(a) Rendering of services

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

(b) Interest income and expenses

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

(c) Dividend income

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

2.12 Dividend distribution

Dividend distributed 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.

2.13 Figures of the previous year and rounding off

The figures of the FY 2068/69 have been regrouped and reclassified wherever necessary to make comparison with the figure of FY 2069/70. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Statement of Financial Position

As on 31st Ashadh 2070 (15th July 2013)

(in NPR)

Particulars	Khudi	Nyadi	Kabeli	NHE	BPCSL	Hydro Consult
SOURCES OF FUND						
Share Capital						
Equity Share Capital	84,000,000	250,000,000	65,369,947	139,530,000	10,000,000	11,778,500
Preference Share Capital	81,650,000	-	-	-	-	-
Reserve & Surplus	(55,193,034)	-	-	92,307,328	(225,327)	23,279,362
Total Shareholder's Fund	110,456,966	250,000,000	65,369,947	231,837,328	9,774,673	35,057,862
Other Funds	-	-	-	10,514,107	-	-
Mid Term & Long Term Debt	237,455,069	43,300,000	-	-	-	-
Advance Toward Share Capital	-	-	10,818,909	-	-	-
TOTAL	347,912,034	293,300,000	76,188,856	242,351,435	9,774,673	35,057,862
APPLICATION OF FUND						
Non-Current Assets						
Property, Plant Equipment:						
Gross Block	584,311,867	7,870,125	17,999,648	298,500,215	249,051	16,262,266
Less: Depreciation	158,044,300	3,730,672	3,882,530	145,079,978	192,952	8,821,336
Net Property, Plant & Equipment	426,267,567	4,139,453	14,117,118	153,420,237	56,099	7,440,930
Net Intangible Assets	-	-	-	-	-	1,106,493
Work in Progress	-	327,849,010	373,074,438	30,059,064	-	-
Investment in Shares	840,000	-	-	-	-	-
Deferred Tax Assets	5,548,984	-	-	8,671,748	-	357,307
Total Non-Current Assets	432,656,551	331,988,463	387,191,556	192,151,049	56,099	8,904,730
Current Assets						
Cash in Hand and at Bank	1,712,137	7,934,237	789,799	5,735,580	256,658	1,879,297
Advances & Deposits	4,474,736	706,078	523,605	65,639,753	633,791	12,033,598
Debtors & Accounts Receivable	24,416,784	10,270,508	4,694,493	254,410,291	21,595,224	30,528,035
Inventories	-	-	-	65,828,502	-	-
Current Work In Progress	-	-	-	-	-	2,211,940
Total Current Assets	30,603,657	18,910,823	6,007,898	391,614,127	22,485,673	46,652,869
Current Liabilities						
Creditors & Other Payables	92,598,475	57,297,232	316,960,323	160,885,055	9,064,086	3,504,468
Short-term Loan	25,692,725	-	-	139,019,757	-	-
Advance & Deposit received	-	-	-	-	850,000	6,539,566
Provisions	-	302,055	50,277	41,508,929	2,853,014	10,455,702
Total Current Liabilities	118,291,201	57,599,287	317,010,600	341,413,740	12,767,100	20,499,737
Net Current Assets	(87,687,543)	(38,688,463)	(311,002,702)	50,200,386	9,718,573	26,153,132
Pre-Operating Cost	2,943,026	-	-	-	-	-
TOTAL	347,912,034	293,300,000	76,188,856	242,351,435	9,774,673	35,057,862

Statement of Profit & Loss Account

For the year ended 31st Ashadh 2070 (15th July 2013)

(in NPR)

Particulars	Khudi	NHE	BPCSL	Hydro Consult
Operating Income				
Sale Revenue/ Consultancy Service	96,137,003	451,007,930	256,130	59,585,745
Total Operating Income	96,137,003	451,007,930	256,130	59,585,745
Operating Expenses				
Power Plant Expenses/ Expenses/ Cost of Sale	8,257,596	359,097,909	449,190	37,050,791
Total Operating Expenses	8,257,596	359,097,909	449,190	37,050,791
Gross Profit/ (Loss)	87,879,406	91,910,021	(193,059)	22,534,954
Administrative Expenses	15,487,493	59,256,258	-	10,796,508
Depreciation Expenses	23,239,183	12,613,389	33,702	2,674,115
Amortization Expenses	2,943,026	183,429	-	-
Interest Expenses	33,847,693	16,647,191	122,918	-
Provision for Doubtful Debt			1,305,583	-
Total Administrative and Other Expenses	75,517,395	88,700,266	1,462,203	13,470,623
Income from Other Sources				
Interest Income	-	-	1,310,692	145,239
Other Income	251,554	-	-	132,228
Foreign Currency Exchange (Loss)/Gain	205.38	(103,717)	-	-
Non operating income	-	10,745,245	-	-
Gain(Loss) on Sale of Assets & Scrap Materials	-	82,543	-	-
Total Income from Other Sources	251,759	10,724,070	1,310,692	277,467
Profit (Loss) Before Bonus & Tax	12,613,771	13,933,826	(344,570)	9,341,798
Deferred Tax Expenses / (Income)	2,575,127	(1,643,068)	-	(57,774)
Provision for Employee's Bonus	247,329	1,203,376	-	849,254
Provision for Housing	-	696,691	-	-
Provision for Corporate Tax	-	5,124,369	240,253	2,988,224
Income Tax of Previous Years	-	2,393,033	-	-
Net Profit (Loss) Before Appropriation	9,791,315	6,159,424	(584,823)	5,562,094
Earnings Per Share (EPS)				
i. Basic	5.91	4.41	(5.85)	47.22
ii. Diluted	5.91	4.41	(5.85)	47.22

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
HCE	Hydro Consult Engineering 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
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
UMN	United Mission to Nepal
USAID	United States Agency for International Development
WIP	Work in Progress
WRC	Water Resources Consult (P) Ltd.



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