BUTWAL POWER
COMPANY LIMITED



ANNUAL
REPORT
2020-2021



bpc
BUTWAL POWER
COMPANY LIMITED

iLight the future

Contents

Company Profile

A prominent name in hydropower sector since

1965

Butwal Power Company (BPC), a prominent name in hydropower sector of Nepal was incorporated in 1965. It has been standing today with 56 years of experience in the development of hydro-power plants and has placed itself as one of the leading listed companies in the country. Generation and distribution of electricity are its core business areas and it has been actively engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing & repair of hydro-mechanical (HM) and electro-mechanical (EM) equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydro-power development.

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

Starting with electrification of a small city, Butwal, located in the south-central Nepal through the development of 1 MW Tinau Project, BPC is the only enterprise which can look back to more than a five-decade long history of success, sustained growth and capacity building in the country with 34 MW under operation and 50 MW under construction in terms of equity investment through separate Special Purpose Vehicles (SPVs).

BPC owns and operates 9.4 MW Andhikhola and 12 MW Jhimruk Power Plants located in western Nepal and supplies power to Nepal Electricity Authority (NEA) under Power Purchase Agreement

(PPA). Additionally, it has been electrifying 60,000 customers in Syangja, Palpa, Pyuthan, and Arghakhanchi districts through its own distribution network. BPC owns majority stake in 4 MW Khudi Hydropower Plant (KHP). 30 MW Nyadi Hydropower Project (NHP) and 37.6 MW Kabeli-A Hydro-Electric Project (KAHEP) are under construction through separate SPVs namely; Nyadi Hydropower Limited (NHL) & Kabeli Energy Limited (KEL) respectively.

BPC has formed a joint venture (JV) company named, SCIG International Nepal Hydro Joint Development Investment Company Pvt. Ltd. with three Chinese Companies of Chengdu, Sichuan Province, People's Republic of China. The JV company was formed with an aim to invest in Marsyangdi Cascade Projects (MCPs) that include 135 MW Manang Marsyangdi Hydroelectric Project (MMHEP), 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) located in Manang and Lamjung districts. All these projects will be peaking run-off river (PROR) projects.

The Company completed feasibility study and EIA of 7.9 MW Chino Khola Hydropower Project (CKHP) near MCPs with a view to develop the project for construction power of cascade projects. PPA will be done with NEA to sell power after the completion of construction of cascade projects.

Pre-feasibility study has been completed for the 160 MW Mugu Karnali Hydropower Project (MKHP), located near Gamgadhi, the district headquarters of Mugu district. Feasibility and EIA study for the project is in progress.

BPC had 16.88% share ownership in 60 MW Khimti Hydropower Plant (Khimti 1) owned by Himal Power Limited together with partners Statkraft Norfund Power Invest AS (SN Power) & Bergenshalvoens Kommunale Kraftselskap (BKK). However, after the end of Ashad 2077, 50% ownership of the plant is under the process of transferring to NEA as per the PPA. BPC also owns partial share in Hydro Lab Pvt. Ltd. (HLPL), which specializes in hydraulic model study of hydropower projects, sediment analysis, and efficiency measurements. Nepal Hydro & Electric Limited (NHE), a subsidiary of BPC, has an expertise in design, manufacturing, installation, testing, commissioning, and repair & maintenance of HM and EM equipment.

CORPORATE INFORMATION

Name: Butwal Power Company Limited
Registration Number: Pa. Li. No. 3-049/50
Date Incorporated: 29 December, 1965 (2022/09/14 BS)
Date Converted into a Public Limited Company 17 February, 1993 (2049/11/06 BS)
Date Privatised: 3 January, 2003 (2059/09/19 BS)
Registered/Corporate Office: Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal
PAN /VAT Number: 500047963
Bankers
Standard Chartered Bank Ltd., Himalayan Bank Ltd., Sunrise Bank Ltd., NIC Asia Bank Ltd., Sanima Bank Ltd., Kumari Bank Ltd., Nepal Investment Bank Ltd.
Statutory Auditor
CSC & Co., Chartered Accountants
Internal Auditor
PL Shrestha & Co., Chartered Accountants
Stock Exchange Listing
Nepal Stock Exchange (NEPSE), Code BPCL

Hydro-Consult Engineering Limited (HCE) established by BPC in 2009 has been providing innovative and competitive engineering consultancy services in water resource based infrastructure projects. It investigates, designs, and assists to develop hydropower projects in Nepal and abroad with an excellent business results through its specialised, experienced, and competent professionals.

BPC has adopted integrated management system with certification of ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 2005 and OH&S 45001:2018 (Occupational Health and Safety Management System) since 2014, recognized by the Certification Body, DNV GL (Det Norske Veritas).

BPC has been awarded for the best managed company in hydropower sector. It has received national best presented annual report awards several times. The Company was also rewarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

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

Has been electrifying
60,000
customers through its own distribution business

Projects with capacity
800MW+
under development

Vision, Mission and Values

VISION

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

MISSION

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

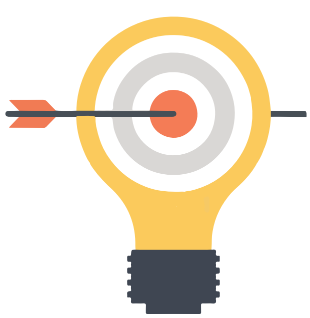
VALUES

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

Strategic Goals of the Company

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

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



Ethical Principles

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

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

The BPC Code

1. Abide by the applicable laws and regulations governing our business
- Comply with applicable laws and government regulations;
- Do business only with suppliers, clients, and partners that comply with legal requirements;
- Screen transactions against applicable rules.

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

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

Maintenance Team of Jhimruk Power Plant

4. Foster an atmosphere in which fair employment practices are extended to every member of BPC

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

5. Strive to create a safe workplace

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

6. Strive to protect the environment

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

7. Corporate Social Citizenship

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

8. Practice a culture where ethical conduct is exemplified and valued by all employees

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

Integrated Quality, Health, Safety and Environment Policy

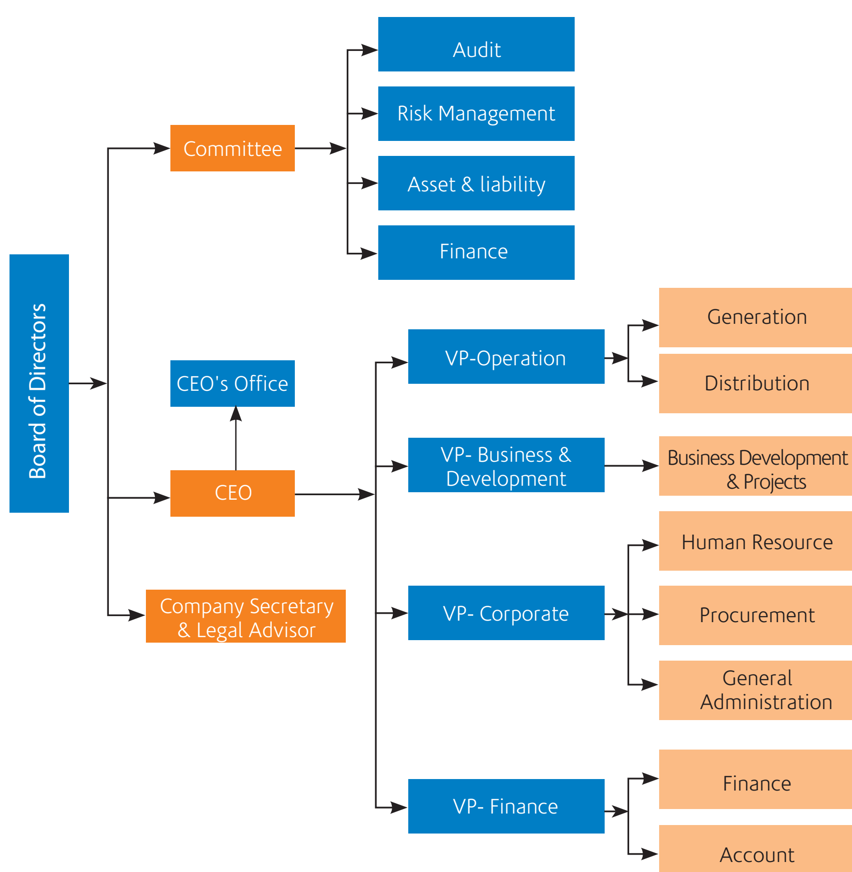
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally and socially responsible manner through:

- 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.

If required, periodic review of the policy is done so as to ensure its relevancy and appropriateness to the Company.

Organisational Structure

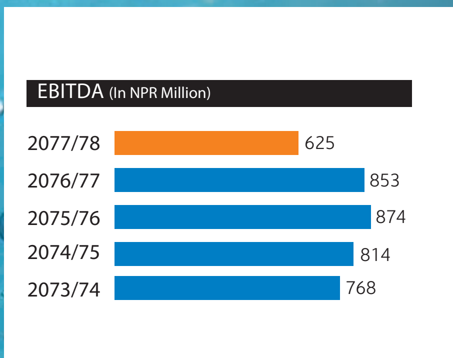
BPC adopts functional organizational structure with high level of specialization, productivity, accountability, and clarity of specific job responsibilities among the employees. Generation, distribution, and transmission business activities are being carried out by BPC directly. Business and project development activities are also being carried out by BPC. However, after the formation of SPV for each project, construction activities are executed through SPVs. The engineering, manufacturing, operation, and maintenance of hydropower projects are implemented through its subsidiaries as per requirement. The organizational structure is in place viz. Operations, Business Development & Projects (BD&P), Finance and Corporate under the direct supervision of the Chief Executive Officer (CEO). The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors (BoD).

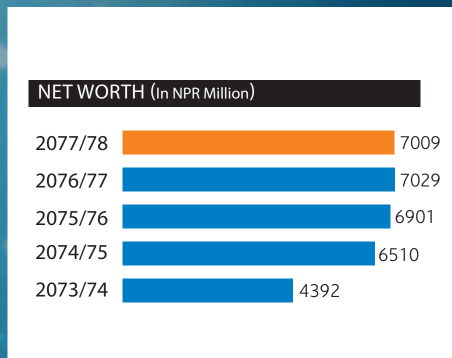


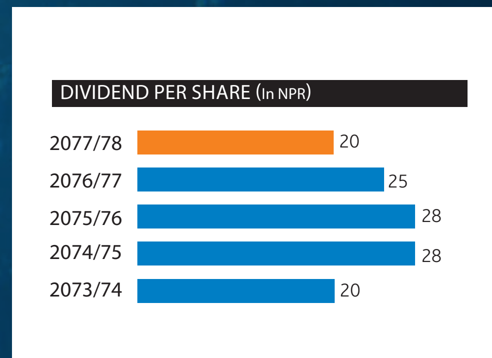
Highlights of the Year

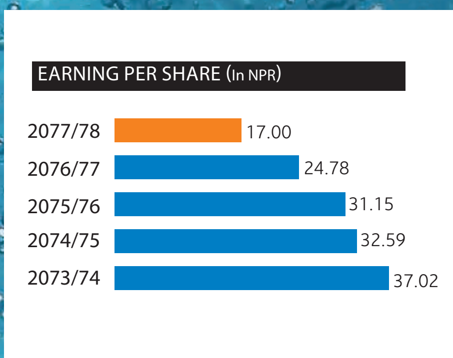
- Total Revenue earned NPR 1400 million and Net Profit NPR 502 million;
- Power Purchase Agreement (PPA) concluded for 135 MW Manang Marsyangdi Hydropower Project (MMHEP) with Nepal Electricity Authority (NEA);
- Supplementary Environmental Impact Assessment (SEIA) study for 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and 327 MW Upper Marsyangdi 2 Hydroelectric Project (UM2HEP) completed and under final approval process;
- Draft PPA for 139.2 MW LMMHEP finalised with NEA;
- Investment approval received from Investment Board Nepal (IBN) for LMMHEP;
- Industry registration completed and connection agreement signed for Chino Khola HEP;
- Construction of 30 MW Nyadi Hydropower Project (NHP) is almost completed and expected to be commissioned soon;
- Survey licence for 7MW solar project obtained

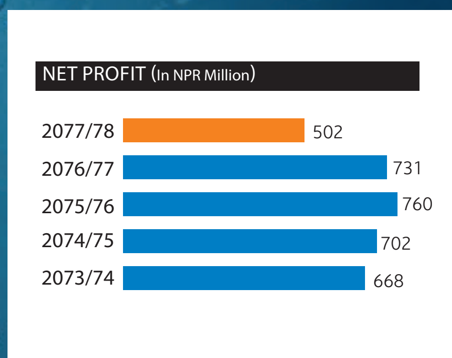
Financial Highlights

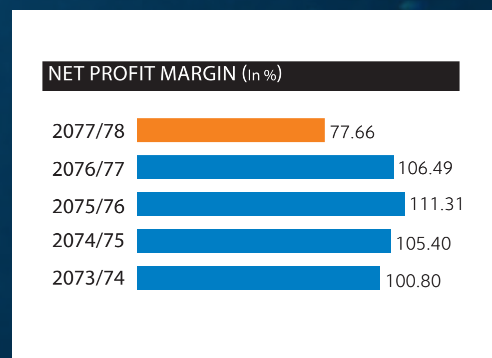


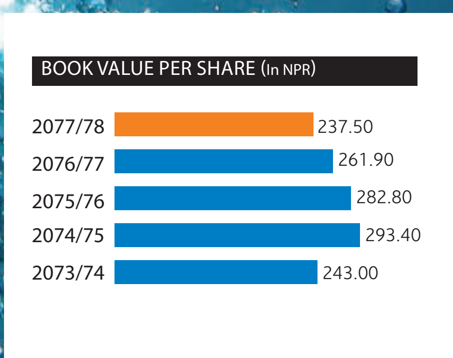


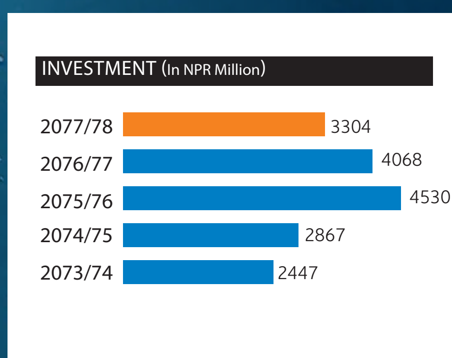


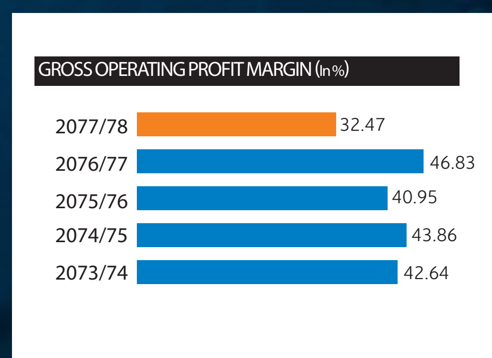


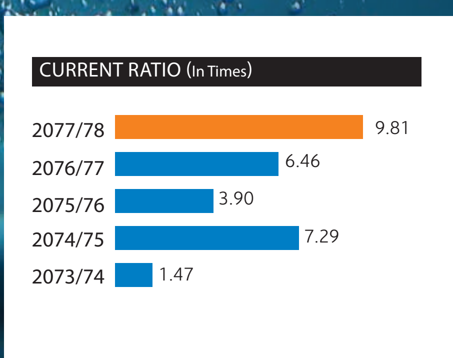


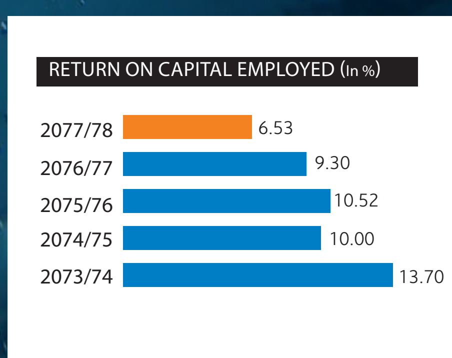


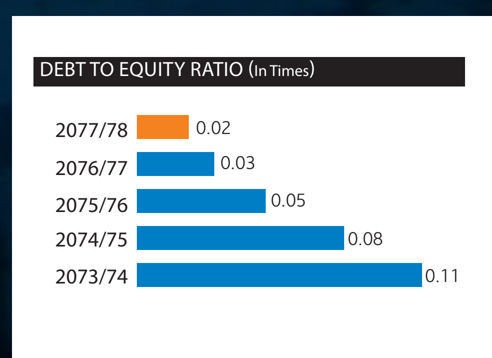












Board of Directors

From left to right (Standing):
Mr. Bijay Bahadur Shrestha, Alternate Director; **Mr. Om Prakash Shrestha,** Director; **Mr. Bijaya Krishna Shrestha,** Director; **Mr. Dinesh Humagain,** Director; **Mr. Tirtha Man Shakya,** Independent Director; **Mr. Raju Maharjan,** Director

From left to right (Sitting):
Mr. Pradeep Kumar Shrestha, Director; **Mr. Padma Jyoti,** Chairman; **Dr. Sandip Shah,** Director; **Mr. Sanjib Rajbhandari,** Alternate Director

Message from Chairperson

The overall performance of the Company is satisfactory despite the COVID-19 impact. The plants under operation are running well. High floods and COVID-19 pandemic has affected projects under development and construction in Marsyangdi basin, leading to further delays in the project schedules. Under Marsyangdi Cascade Projects, PPA has been signed for 135 MW Manang Marsyangdi HEP, which is a historic entry of BPC towards the development of larger-sized hydro-projects. Under the consistent dividend policy, this year also, the Company has succeeded in declaring reasonable dividend to the Shareholders.

Climate change continues to be a major challenge of the modern world. Temperature is rising, drought and wild fire are occuring more frequently, rainfall patterns are shifting, glaciers and snow are melting and the global mean sea level is rising. Climate change has been a threat to the lives & livelihoods and has imposed huge challenge for hydropower development and operations. The 26th session of the Conference of the Parties (COP 26) to the UNFCCC has been completed recently at Glasgow, UK with the resolution that the world should be aiming to limit global warming to 1.5 degrees Celsius and has acknowledged the role of fossil fuels in the climate crisis. Such global understanding has further created an importance of clean energy like hydropower.

The country went through a massive electricity supply shortage between 2007 and 2017, that triggered up to 18 hours of daily load-shedding.

However, with the commissioning of Nepal's biggest power plant 456 MW Upper Tamakoshi Hydropower Project, the country at present has surplus energy. However, the Government of Nepal (GoN) has no concrete plan to increase internal consumption and export the surplus power.

In the Energy White Paper 2018, the GoN has announced its policy of producing 15,000 MW in the next 10 years, but no favourable policy has been formulated for increasing the generation and consumption of electricity.

Nepal has been the first country to participate in the Indian Energy Exchange among all other neighbours of India. The first 400 kV cross border transmission line between Nepal and India from Dhalkebar to Muzaffarpur was charged at 400 kV voltage level on November 11, 2020. This will open new avenue for harnessing Nepal's hydropower potential to boost up country's economy jointly by NEA and private sectors like us.

The year 2021/22 shall be a challenging year for the commissioning of Nyadi HEP, reviving Kabeli A HEP and starting the construction of Manang Marsyangdi HEP and solar project. The dilution of the ownership interest of the Company for Khimti-I has affected the revenue of the Company.

The Company has adopted a well defined corporate value framework to integrate the responsible business and governance norms and practices in the operations of its business. As a responsible corporate citizen of the country, the Company has performed Corporate Social Responsibility activities beyond the legal requirements. Company is committed to creating a long-term value to its shareholders.

Political & policy stability and a supportive legal & regulatory framework are key to successful hydropower projects. Without a collaborative effort of the GoN, Independent Power Producers (IPPs), financers and community involvement, the development of hydropower is not possible. The increased presence and roles of IPPs in Nepal's hydropower generation is a positive development for the investment climate of Nepal. However, there are certain aspirations of IPPs for sustainable hydropower development by bringing Foreign Direct Investment (FDI). For this purpose clear hedging policy to mitigate Power Purchase Agreement (PPA) currency risks and investment-friendly provisions in Project Development Agreement (PDA) are necessary.

"The Company has adopted a well defined corporate value framework to integrate the responsible business and governance norms and practices in the operations of its business. As a responsible corporate citizen of the country, the Company has performed Corporate Social Responsibility activities beyond the legal requirements."

The Company is dedicated to developing hydropower projects in Nepal to serve the country, which ultimately benefits the shareholders of the Company. BPC has collaborated with local as well as credible international investors as equity partners. Such collaboration will benefit the Company by bringing foreign capital, technology, and management skills into the country. We give a balanced focus to utilising both local and international financial resources. The utmost priority now has been given to implement the collaboration with Chinese partners to develop Marsyangdi Cascade Projects (MCPs). The collaboration is expected to generate more revenue, jobs and avenues of development in the country.

I would like to extend sincere thanks to GoN agencies, shareholders, partners, and all other stakeholders for their trust and cooperation to the Company.

Padma Jyoti
Chairman

PPA signed for
135MW
Manang Marsyangdi HEP

Collaboration with
Chinese partners
to develop MCPs

Jhimruk Powerhouse Damsite

Report from Board of Directors

Dear Shareholders,

With a great pleasure, we are here to present this Report from the Board of Directors (BoDs), 2021 in this 29th Annual General Meeting of the Company.

COVID-19 pandemic has been the biggest health concern across the world for last two years. The vaccine against COVID-19, together with the growing health precaution practices has helped to reduce the number of infections. Over 0.81 million people got infected and 11.5 thousand people lost their lives due to the pandemic in Nepal. As of today, the pace of infection and death has reduced, not yet stopped. In the second wave of COVID-19, the Government of Nepal (GoN) again had to impose country lockdown so as to contain the pandemic and save the lives of the people but that adversely hit the economic activities impacting all sectors of economy. All employees of the Company have received COVID-19 vaccine. Till the date, COVID-19 positive cases of the employees are 31 with an unfortunate event of loss of life of an employee. Despite the impact of the pandemic, the Company managed to operate its power plants and distribution business smoothly, but the project construction and development activities were affected severely.

The performance of the Company in FY 2077/78 was satisfactory in operation business, whereas, the performance remained moderate in investment and project development businesses. The performance of different business segments is presented below in the respective headings. Considering the financial results in FY 2077/78 and dividend policy of the Company, 10% bonus shares and 10% cash dividend will be distributed to shareholders from the net profit and retained earnings for FY 2077/78.

PERFORMANCE REVIEW

FINANCE

The Company earned net operating profit of NPR 209.80 million, dividend income of NPR 324.96 million and capital gain of NPR 342.67 million totaling income of NPR 816.65 million in FY 2077/78 before bonus, tax and impairment loss provisioning. The Company made impairment loss provisioning of NPR 252.05 million on investments in Kabeli A HEP (KAHEP) and Gurans Energy Limited due to suspension of construction works of the project. Now the impairment loss provision on investment has reached to 80% in these companies. The Company paid NPR 115.87 million income taxes to the GoN and distributed NPR 20.57 million bonus to the employees in FY 2077/78. The Company posted net profit of NPR 501.82 million, which is a 31.38% decrease compared to the previous year. The financial highlights of the Company are briefly summarized below:

(in million NPR unless specified)

Particulars	FY 2077/78	FY 2076/77	Variance (In %)
Electricity sale to NEA	423.72	483.84	-12.42
Electricity sale and services to consumers	213.99	195.14	9.66
Generation expenses	312.18	245.69	27.06
Distribution expenses	124.16	119.41	3.98
Gross profit	209.80	321.61	-34.77
Other income including dividend received	687.72	767.82	-10.43
Administrative and other expenses	127.74	123.34	3.57

Particulars	FY 2077/78	FY 2076/77	Variance (In %)
Profit before interest and taxes	525.51	727.54	-27.77
Profit before taxes	564.60	719.80	-21.56
Net profit after tax	501.82	731.28	-31.38
Investment in other companies	3,303.68	4,068.46	-18.80
Earnings per share (in NPR)	17.00	24.78	-37.61
Net worth (Equity)	7,009.39	7,029.05	0.28

THE GROUP CONSOLIDATED FINANCIAL STATUS FOR FY 2077/78 IS AS BELOW: (in million NPR unless specified)

Particulars	FY 2077/78	FY 2076/77	Variance (In %)
Revenue	2,636.72	3,134.63	(15.88)
Cost of sales	2,335.41	2,657.93	(12.13)
Gross Profit	301.31	476.70	(36.79)
Profit before interest and taxes	761.80	996.22	(23.53)
Profit before tax	385.66	711.31	(45.78)
Profit after tax	309.74	711.61	(56.47)
Profit attributable to owners of parent	336.61	726.25	(53.65)
Profit attributable to non-controlling interest	(26.87)	(14.64)	83.51
Earnings Per Share	11.41	24.61	(57.94)
Net worth	7,180.82	7,397.80	(2.93)

Decrease in group revenue by 15.88% is mainly due to decrease in sale of electricity and services. Decrease in cost of sales by 12.13% is due to proportionately decrease in cost of consumed materials, administrative expenses and finance cost resulting decrease in gross profit by 36.79%. Similarly, the decrease of group net profit by 56.47% is mainly due to significantly decrease in dividend income and provision made for impairment loss on equity investment of Kabeli Energy Limited and Gurans energy Limited. This has resulted the decrease in net worth by 2.66%. The group earnings per share is NPR 11.41; which was NPR 24.61 previous FY.

OPERATIONS

Generation Business

The Company has been operating two power plants–9.4 MW Andhikhola Hydro-electric Centre (AHC) and 12 MW Jhimruk Hydro-electric Centre (JHC). Both plants operated satisfactorily in FY 2077/78. The total generation was 127.5 GWh, which is 11.77% less compared to 144.51 GWh generated in the previous FY. Out of the total generated energy, around 68.47% energy was supplied to Nepal Electricity Authority (NEA) and 33.53% to BPC distribution business.

The generation status of both power plants was as follows:

- Andhikhola plant generated 61.75 GWh with plant factor of 74.99%, which is a decrease of 13.48% (9.623 GWh) over the last year. Out of total available energy, 29.582 GWh (47.90%) was supplied to NEA including Kaligandaki compensation of 3.167 GWh and 33.334 GWh was sold to BPC Distribution.
- Jhimruk plant generated 65.75 GWh with plant factor of 62.55%, which is a decrease of 10.10% (7.390 GWh) of energy over the last year. Out of the total available energy, 60.884 GWh (92.59 %) was supplied to NEA and 8.196 GWh (12.46 %) was sold to BPC Distribution.

The problem of high quartz content in Jhimruk river water during monsoon season remained the major factor for reduced power generation and severe erosion of turbine parts from the beginning of operation of the power plant. In the last fiscal year, the major problem was in the generators excitation system due to the damage of insulation of terminal bolts.

Distribution Business

During the FY 2077/78, the total energy purchased from Generation Business was 42.527 GWh which is about 9.53 % more than that of last year, reasons being the increase in consumer number by 3.27% and rise in average electricity consumption per consumer per month by 4.9%. The corresponding sale of electricity has also increased by 8.35%. The Company sold 35.42 GWh energy to retail consumers and consumed 0.061 GWh internally.

SUBSIDIARY AND ASSOCIATE COMPANIES

The Company has made equity investment in the following companies, valued at cost and fair value as in tables below:

COMPANY'S INVESTMENT PORTFOLIO AT THE END OF ASHADH, 2078

Name of Company	No. of shares	Holding (In %)	Investment at Cost (In NPR)	Investment at Fair Value (In NPR)
Himal Power Ltd.	2,978,502	16.88	434,931,461	792,758,372
Nepal Hydro & Electric Ltd.	715,800	51.30	71,580,000	-
Khudi Hydropower Ltd.	504,000	60.00	50,400,000	-
Khudi Hydropower Ltd. (Preference Share)	576,000	70.55	57,600,000	-
Nyadi Hydropower Ltd.	10,751,453	98.18	1,075,145,300	-
Kabeli Energy Ltd.	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Ltd.	117,785	80.00	11,778,500	-
Manang Marshyangdi HPC (P) Ltd.	198,455	22.40	126,756,282	
BPC Services Ltd.	100,000	100.00	10,000,000	-
Hydro Lab (P) Ltd.	10,000	10.73	1,000,000	24,253,808
Himtal Hydropower Co. (P) Ltd.	601,300	19.40	777,902,830	
Marshyangdi Transmission Co. (P) Ltd.	6,406	19.40	10,346,245	
Gurans Energy Ltd.	3,321,836	40.00	332,183,600	-
Convertible Loan to Kabeli Energy	-	-	1,260,044	-
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	3,125,439	-	93,520,876	-
Total	25,971,836		3,350,891,138	817,012,180

ADVANCE TOWARDS SHARE CAPITAL INCLUDING INCIDENTAL COST

Name of company	Amount (Rs.)
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	44,000,000
Gurans Energy Ltd.	200,000
Hydro-Consult Engineering Ltd.	7,501,337
Manang Marshyangdi HPC (P) Ltd.	12,736,000
Total	64,437,337

FINANCIAL PERFORMANCE HIGHLIGHTS OF THE SUBSIDIARY AND ASSOCIATE COMPANIES

Name of Company	Net Profit (In Million NPR)	Increase/ decrease in Net Profit	Net Worth (In Million NPR)	Earnings Per Share (In NPR)	Book Value per Share (In NPR)
Himal Power Ltd.	254.14	-93.18%	4,695.45	14.41	266.16
Nepal Hydro & Electric Ltd.	-25.60	-1375.43%	250.41	-18.34	204.55
Khudi Hydropower Ltd.	15.00	236.58%	208.99	17.86	248.80
Kabeli Energy Ltd.	-36.87	-75.07%	901.13	-	83.05
Nyadi Hydropower Ltd.	-21.97	-17.83%	1,005.57	-	91.83
Hydro-consult Engineering Ltd.	26.34	-15.55%	163.94	178.89	1,113.47
BPC Services Ltd.	0.77	-6.47%	16.56	7.66	165.61
Hydro Lab (P) Ltd.	22.83	11.64%	149.07	380.47	2,480.41
Gurans Energy Ltd.	-771.67	19.60%	58.20	-92.98	7.02
SCIG International Nepal Hydro Joint Development Co. (P) Ltd.	-32.86	-13.71%	1,527.79	-2.05	95.09
Manang Marsyangdi Hydro-power Company (P) Ltd.	-0.19	-73.23%	90.18	-0.21	101.79
Marsyangdi Transmission Company (P) Ltd.	-0.05	NA	43.21	NA	1,308.49
Himtal Hydropower Company (P) Ltd.	-0.11	0.00%	594.53	-0.04	191.82

The Company earned dividend income of NPR 324,956,259 in FY 2077/78 from the following subsidiary and associate company:

Name of Company	Dividend Amount in NPR (from the profit of F/Y 2076/77)
Himal Power Ltd.	318,242,514
Hydro-Consult Engineering Ltd.	6,713,745
Total	324,956,259

Himal Power Ltd. (HPL), an associate company, owns and operates 60 MW Khimti-I Hydropower Plant (Khimti-I). HPL's equity interest in the project has been diluted to NEA by 50% from July 2020 as per the Power Purchase Agreement (PPA). Since then, Khimti-I has been selling power to NEA under an interim arrangement. HPL and NEA have been negotiating for setting up jointly owned new SPV for Khimti-I and its new PPA. This process however has been affected by COVID-19. This change will have a significant impact on the dividend income of the Company.

Power Plants Owned by Subsidiaries and Associates

Khudi Hydropower Ltd. (KHL), a subsidiary of the Company, owns and operates 4 MW Khudi Hydropower Plant (KHP), which was severely hit by flood in Bhadra and came to operation partially in Mangsir 2076. The plant came into full operation in Falgun 2077. However, the plant was further hit by flood in early 2078, affecting the plant operation for almost four months.

Engineering and Other Services

Hydro-Consult Engineering Ltd. (HCE), a subsidiary company, has become a fully owned subsidiary company of BPC after acquisition of 20% equity from the partner People, Energy and Environment Development Association (PEEDA). HCE has been performing excellently by providing quality and excellent consulting engineering services to various hydropower projects within the country as well as in the international market. HCE is in the process of business diversification in addition to hydropower.

BPC Services Limited (BPCSL), a fully owned subsidiary company, was set up to provide operation and maintenance services to the power plants and interconnection facilities. The Company is going to offer the operation and maintenance services to the different power plants owner through BPCSL in a rejuvenated manner.

Hydro Lab Pvt. Ltd., an associate company, has been conducting physical hydraulic model studies for water resources development projects, sediment studies and associated research. The Company has been engaged in geological testing & investigation, and numerical modelling services.

PROJECTS

Nyadi Hydropower Project

30 MW Nyadi Hydropower Project (NHP) is a run of the river (RoR) project located in Marsyangdi Rural Municipality, Lamjung District, the construction of which started on March 23, 2017. All the major construction works of the projects have been completed. However, due to the delay in the construction of 220 kV transmission line and substation by NEA, an alternative power evacuation plan was prepared and implemented to evacuate the power generated by NHP, which is also at the final stage of completion. As per the alternative power evacuation arrangement, NHP will use transmission line of NEA currently being used by 50 MW Upper Marsyangdi-A Project until the construction of 220 kV transmission line and substation. COVID-19 pandemic also affected the construction works of NHP. Because of these factors, the Required Commercial Operation Date (RCOD) of NHP could not be achieved and the project is expected to come into commercial operation soon. The estimated average annual generation of NHP is 168 GWh. The Project Company has been listed in the stock exchange completing an initial public offering of shares to the project affected people and general public.

Kabeli-A Hydroelectric Project

All the physical works of the 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) are under suspension from the beginning of 2020 as the World Bank (WB) stopped loan disbursement to the project after expiry of disbursement deadline. The project company Kabeli Energy Limited (KEL) has been putting its best efforts by preparing a recovery plan of KAHEP. The approval of GoN and/or NEA for extension of RCOD and local financing instead of GoN facilitated WB financing is critical to resume construction of KAHEP. Regular follow ups have been made with the Ministry of Energy, Water Resources and Irrigation (MoEWRI), Ministry of Finance (MoF) and NEA. A committee set up by MoEWRI last year has recommended positively. However, the delay to materialize the recommendation has hit the project's viability. Despite the efforts, uncertainty persists to resume the construction of KAHEP until the positive decision comes from the GoN and NEA. In line with the accounting standards, the Company has made 80% impairment loss provisioning on investment made for KAHEP.

Marsyangdi Cascade Projects

Marsyangdi Cascade Projects (MCPs) comprises of three peaking run of river (PROR) projects - Manang Marsyangdi Hydroelectric Project (MMHEP), Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) with combined installed capacity of 601 MW under the cascade concept. The boundaries adjustment, redefining the nature of the project as PROR, updating feasibility study and conducting supplementary EIA, investigations and resource optimization of MCPs have been done with the prior consents of MoEWRI. These projects shall be implemented through special project vehicle (SPV) for each project jointly with the Chinese partners namely SCIG International Limited, Xingcheng International Investment Co. Ltd. and QYEC International Co. Ltd.

The status of MMHEP is as follows:

- Chinese investors have joined the SPV as shareholder;
- Installed capacity has been optimized at 135 MW as PROR with updates in the feasibility study report;
- Supplementary EIA for 135 MW has been approved by GoN;
- PPA has been concluded with NEA after

approval from Electricity Regulatory Commission (ERC);
- Amendment of Generation License is in the process;
- PDA negotiations are ongoing with MoEWRI;
- The process for financial closure has started, but ambiguity in hedging regulation has affected the process of bringing in international financing for the project;
- Owner's Engineer has been selected; and
- Tender document finalization and EPC tendering is in process.

The status of LMMHEP is as follows:

- The project has been optimized as PROR at 139.2 MW and project report has been updated accordingly;
- Supplementary EIA is in the process of approval at MoFE;
- IBN has granted investment approval for this project;
- The project has been registered as industry in the Department of Industry (DoI);
- Draft PPA initialization is in the final stage;
- Preparation for the formation of SPV jointly with Chinese partners has been done and the process will start soon.

The status of UM2HEP is as follows:

- IBN has granted investment approval for 327 MW.
- Follow-ups have been made with IBN for accelerating and concluding PDA.
- Supplementary EIA is in the process of final approval at MoFE.

MCPs will evacuate power through 220 kV Marsyangdi Corridor Transmission Line, which is being constructed by NEA. However, the construction of the transmission line has been delayed, impacting the power evacuation of the completed and ongoing hydropower projects in Marsyangdi corridor.

Continuous heavy rainfall from end of Jestha 2078, flooded Marsyangdi river and its tributaries in Manang and Lamjung districts resulting in heavy damages to the infrastructures and settlements. The road sections from Besisahar to Chame were damaged by flood and landslides. Electricity, transportation and communication networks were disrupted in project area. Some part of office building, gauging station, radar station for discharge recording and transmission system, cableway, material stock and the bridges of MCPs were damaged by the floods.

Chino Khola Hydropower Project

7.9 MW Chino Khola Hydropower Project (CKHP), a RoR project located near LMMHEP, will initially supply power for the construction of MCPs and sell the power to NEA thereafter. The EIA Report of the project has been approved by the MoFE. The process of PPA with NEA is ongoing and generation license of the project is in the process of issuance. The industry registration of the project has been completed. Connection Agreement of the project has been signed with NEA.

Mugu Karnali Hydropower Project

Mugu Karnali Hydropower Project (MKHP) is a PROR project located near Gamgadhi, the district headquarters of Mugu district. The survey license of MKHP has been obtained and its pre-feasibility study has been carried out. Detailed feasibility study and EIA is ongoing. The main constraint of the project is power evacuation as there is no transmission facility near the project area at present.

New Initiatives

BPC has carried out preliminary study of solar power project in headworks area of Jhimruk power plant and the estimated capacity of the project is 7 MW. The survey license of the project has been received.

Corporate Governance

BPC is committed to the good corporate governance. We strive to keep the trust of our stakeholders by being ethical, honest and transparent in the continuing pursuit of our vision, mission and values. We produce Corporate Governance Report (CGR) every year with the intent of being transparent on our Board's activities and its performance, internal control systems and risk management. The corporate value framework includes vision, mission, core values, business principles and policies, code of corporate governance, code of conduct and ethics, and guidelines. This framework applies to everyone in the company; from employees to members of the board of directors. The fundamentals of this framework are to strive to exercise the highest standards of ethics and conduct in our personal and business relations ensuring compliance to the legal framework, fairness, integrity, honesty and environmental impacts and the interests of the stakeholders. The reports to this intent, as required by the prevalent laws, have been submitted to the regulatory bodies on time. The CGR has been included in the Annual Report of the Company separately.

Board and its Committees

During the year, there was no change in the BoDs. The Board has set up three mandatory committees - Audit Committee, Risk Management Committee & Assets and Liability Committee; and other five committees as per the need of the Company. The performance of Directors as members of the Board and its committees was satisfactory in FY 2077/78. The details of the shareholding pattern, Board and its committees of the Company are disclosed in the CGR.

Shareholding Structure of the Company

The shareholding structure of the Company has been incorporated in the CGR. The number of shareholders was 68,595 at the end of FY 2077/78.

Management

The management of the Company is led by CEO Mr. Uttar Kumar Shrestha. Mr. Shrestha has long management experience in NEA. He has been leading the management of the Company for the last 7 years successfully. There are 202 personnel in the Company with 19 working at Management level. The Collective Bargaining Agreement (CBA)

"The Company has established a partnership with international agencies such as IFC, WB, InfraCo Asia-Singapore, Statkraft AS-Norway and SCPHI-Canada for different areas of business relationships in the development of hydropower projects. The Company has further established a partnership with three renowned Chinese companies from Sichuan Province."

has been signed with the Employees Union on 2078/08/17 for next 2 years effective from FY 2078/79.

Management improved performance during the FY 2077/78 with fulfilment of the major targets as per the vision, mission and values of the Company under the strategic guidance of the Board and Board Committees.

Quality, Environment and Occupational Health and Safety Management System

The Company has developed its Quality, Environment, Occupational Health and Safety Management System in line with ISO standards. The Company has been certified with ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 24th May, 2005 and OH&S 45001:2018 (Occupational Health and Safety Management System) since 20th September, 2013 [Certification Body- DNV GL (Det Norske Veritas), India]. These three standards are combined as Integrated Management System (IMS).

Internal and external audits on IMS were carried out for continual improvement. No serious illness, accident, incident and injuries were reported in the Company during the FY 2077/78.

Industrial and Business Relations of the Company

The Company engagement with its stakeholders is always committed to enhance relationships through participation in seminars, training programs, meetings and involvement in CSR activities. The Company is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries, Independent Power Producers' Association Nepal, Nepal Hydropower Association, Confederation of Nepalese Industries, International Center for Hydropower Norway, Energy Development Council, Nepal Tunneling Association, and Management Association of Nepal.

The Company has established a partnership with international agencies such as IFC, WB, InfraCo Asia-Singapore, Statkraft AS-Norway and SCPHI-Canada for different areas of business relationships in the development of hydropower projects. The Company has further established a partnership with three renowned Chinese companies from Sichuan Province viz. Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) for the development of MCPs.

Enterprise Risk Management

Risk management is an integral part of business initiation, decision, and implementation. BPC has been continually monitoring the risks at different levels of management through identification, assessment, planning, and mitigation to ensure that the risks are properly managed. Risk Management Committee monitors and guides the Management and recommends the Board for ensuring proper risk management in the Company. A well-defined Risk Management System has been implemented in the Company.

Internal Control and Accountability

The internal control and accountability system of the Company is in place. The control environment and accountability are monitored by the Audit Committee and the Board.

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audit has been carried out every quarterly through an independent auditor for assessment of the internal control and risk management of the Company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented. M/s PL Shrestha & Co., Chartered Accountants, performed the internal audit of the Company in FY 2077/78.

Statutory Audit

M/s CSC & Co., Chartered Accountants audited the books and accounts of the Company for FY 2077/78, consecutively for three years in row. The auditor has issued an unqualified report of financial statements of the Company.

Shareholders' Suggestions and Communication

The suggestions from shareholders have been taken at the right earnest and implemented based on merit and business interest of the Company. All means of communication are being used by the publication of quarterly reports, abridged reports, annual report, AGM minutes, which are uploaded in the web page of the Company for disseminating information to the shareholders. The Company encourages and welcomes suggestions from shareholders for continual improvement.

Share Registrar and Share Transactions

Nabil Investment Banking Ltd, Narayanchaur, Naxal, Kathmandu is share registrar of the Company effective from Shrawan 01, 2077. There is no case of share forfeiture and share buyback during the year. The summary of annual share transaction highlights of the company is as below:

Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length basis, as per the best industry practices and prevailing laws. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2077/78.

Business Environment and Investment Climate

Nepal government undertakes hydropower and its export as its major development goal in its path to socialism. The path, however, remains unclear as new electricity bill is yet to be enacted.

The outbreak of COVID–19 Pandemic from the mid of FY 2076/77 continued to be an ongoing global pandemic which not only created health crisis but also pushed back the economic activities of the country. The projects under development and construction phase were severely affected compared to the power plants under operation. Covid-19 vaccination programs are rapidly ongoing in most of the countries including Nepal. It has created hopes of revival of business environment and economic activities in the country.

NEA maintained continuous power supply to its consumers by importing energy from India during power shortage period. The energy import has increased by 63% this year as compared to previous year. The increased total energy in the system is 14.68%. Out of total available energy, NEA's generation contributed to 31.66%, imported from India is 31.83% and Independent Power Producers (IPPs) accounted for 36.51%. In case of generation capacity, IPPs hold 815 MW whereas NEA holds 616 MW including thermal power. Private developers are increasing their stake in power generation in the country. The energy consumption in the FY has slightly decreased due to reduced economic activities caused by continued pandemic.

Year	Max. Price	Min. Price	Closing Price	Transaction Days	Transaction (Nos)	Volume of Transaction	Turnover Amount (In million)
2077/78	590	343	506	233	99,161	16,752,810	7,717
2076/77	429	284	359	183	13,000	1,822,560	657

IPPs aim to supply power in the domestic market as well as export electricity to neighboring countries through power trading company which is under incorporation. The first 400 kV cross border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, is fully functional now. The process has been initiated for the construction of other three cross border transmission lines. Nepal has started cross border electricity trade with Indian Energy Exchange (IEX).

The state-owned authority NEA is hesitant to sign PPAs with the private companies for the time being. Creating a favorable business and investment-friendly environment like speedy regulatory approval processes, policy consistency, and facilitation for PPA & land acquisition are important measures to attract local and foreign investors in hydropower sector. Hedging regulation has been framed and amended, but there is still a lack of clarity in hedging cost, its sharing mechanism and implementation timeframe to provide adequate confidence to the Foreign Direct Investment (FDI) projects like MCPs. Unless the clear hedging policy is in place, financial closure with International Financial Institutions (IFIs) is very challenging.

The government has provided relief package for hydropower plants below 10 MW under operation by waiving the penalty clause related to change in hydrology. The fiscal budget has announced additional tax exemption for reservoir and semi-reservoir based hydropower projects with capacity more than 200 MW. As COVID-19 relief measures, GoN has also been providing support to the private sector through an arrangement for interest subsidies, and extension of RCOD & financial closure date.

"The government has provided relief package for hydropower plants below 10 MW under operation by waiving the penalty clause related to change in hydrology. The fiscal budget has announced additional tax exemption for reservoir and semi-reservoir based hydropower projects with capacity more than 200 MW."

Power projects with a combined capacity of over 3000 MW are currently under construction. However, NEA is facing the risk of spill energy, particularly during the rainy season, with the commissioning of 456 MW Upper Tamakoshi Project thereby adversely affecting NEA's financial health. IPPs will also be at risk to sell their energy in such situation. In order to utilize the surplus energy, the domestic consumption has to be increased by using electricity in cooking, transportation, irrigation, agriculture etc. In this line, NEA Electricity Consumer tariff has been revised by ERC recently, encouraging higher consumption to some extent. The energy tariff needs to be further restructured to increase domestic consumption.

Because of delay in completion of NEA's transmission lines, several hydropower plants are unable to supply electricity in full capacity. Timely implementation of under-construction and planned transmission lines, and reinforcement of distribution system is very important for power evacuation and enhancing domestic consumption of electricity.

Dividend

The Company has adopted a stable dividend policy. The Board has proposed to the 29th Annual General Meeting of the Company to distribute 10% cash dividend and 10% bonus shares to the shareholders from the net profit of FY 2077/78 and retained earnings.

Total unclaimed dividend at the end of Asadh, 2078 amounts to NPR 50.80 million.

The Year Ahead

The year ahead is going to be crucial for shaping long term interest of the Company. In this line, MCPs are in priority. Concluding bankable PPA for MCPs, achieving financial closure for the projects and starting the construction are challenging

Powerhouse of Jhimruk HEP

tasks. Reviving of Kabeli-A HEP is also equally important to the Company. Following works are expected to be completed in the FY 2078/79;

- PDA of MMHEP and LMMHEP;
- PPA of LMMHEP and CKHEP;
- Feasibility study and PPA of solar project;
- Approval of supplementary EIA of LMMHP and UM2HEP;
- Incorporation of project company for LMMHEP with Chinese partners and transfer of project license;
- Incorporation of project company and start of construction process of CKHEP;
- Financial closure and start the construction of MMHEP;
- Commercial operation of NHP; and
- Reviving of KAHEP and resuming project construction.

Acknowledgement

We are grateful to the Government of Nepal and its line agencies, Electricity Regulatory Commission, Nepal Rastra Bank, Investment Board Nepal, Securities Board of Nepal, Nepal Electricity Authority, foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, consumers and other stakeholders who have contributed, supported and provided valuable assistance directly or indirectly towards the betterment of the Company in the FY 2077/78.

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

Thanking you.

On behalf of the Board of Directors

Padma Jyoti
Chairman

CEO's Perspective

Nepal, being a rich country in water resources, has to move towards hydro-electricity generation to replace fossil fuels through wider uses of electricity in all sectors of economy. This will not only help to reduce trade deficit, also help to protect environment, and reduce carbon emissions thus minimising the climate change crisis.

> **"The country needs to continue hydropower development up to the full potential in a reasonable mix of RoR, PRoR and storage type, increase internal consumption and export excess energy to the neighbouring countries in a cost effective manner to take comparative advantage."**

As the generation capacity is adding on, increasing electricity consumption in domestic, commercial, and industrial sector is the only way to manage demand and supply situation. The country needs to continue hydropower development up to the full potential in a reasonable mix of RoR, PRoR and storage type, increase internal consumption and export excess energy to the neighbouring countries in a cost effective manner to take comparative advantage. In addition, timely development of high voltage cross border transmission lines, expansion of reliable transmission and distribution networks within the country to enable access of electricity to every household is very important to achieve such goals. In this endeavour, Independent Power Producers are getting strength to have a remarkable contribution.

Currently, diversified uses of electricity and management of surplus energy are two major challenges of the Government of Nepal (GoN) and its undertakings. GoN should encourage the private sectors to attract more investments locally and to bring foreign investments. Private sectors are waiting for investment-friendly climate like, Power Purchase Agreement (PPA) in foreign currency, hedging facility, VAT/Tax exemptions, and facilitation for land acquisition, prompt approval processes etc. The role of government agencies to minimize legal and bureaucratic constraints for hydropower development is instrumental.

We, at BPC, have shifted our focus from ROR project to peaking project and gradually in future to storage type, in collaboration with local and foreign investors including government entities. We have given priority in bringing foreign capital and new technology in the country through the strategic partnership with trustable foreign partners. At the same time, we have also focused on operational efficiency of our different business segments for quality services and maximization of the returns.

Dilution of Khimti 1 ownership and interim payment arrangement until new PPA with NEA is signed, has reduced dividend income of BPC. Second wave of COVID-19 impacts, floods, and reduced operation of Khudi plant also resulted in overall income reduction of the Company. Despite such situations, we have been able to distribute 10% cash dividend and 10% bonus share to the shareholders from the net profit of FY 2077/78 and retained earnings. We are in the process of expanding Company's assets base by making investments in Marsyangdi Cascade Projects, Solar Project at Jhimruk area and Chino Hydropower; cautiously maintaining the sustainable returns to shareholders. We put our best efforts to contribute for generation of renewal energy sources in Nepal by blending human resources, capital and new technology and to meet the expectations of our customers and shareholders to the possible extent.

I am grateful and would like to extend sincere thanks to GoN, regulatory bodies, NEA, partners, shareholders, bankers, auditors and other stakeholders for their valuable supports. Further, I would like to extend my sincere thanks to the Board and its Committees for their support and guidance in pursuing the business of the Company. I also thank fellow executives and employees of the company for their dedication and hard work.

Thank you.

Uttar Kumar Shrestha
Chief Executive Officer

Corporate Governance Report

The Company has been presenting the Corporate Governance Report (CGR) to its shareholders and other stakeholders since FY 2063/64. The Company has the Corporate Value Framework adopted in FY 2067/68 (2010/11) comprising of the core values, business principles, code of corporate governance, and code of conduct & ethics.

The continued trust of the stakeholders is the key to the Company pursuing the vision, mission, and values being ethical, honest, and transparent in business operations. The Company has thrived to maintain the highest level of transparency, accountability, and equity in its operations; and in its interactions with the shareholders and other stakeholders as well as the government and other regulatory bodies. The focus and effort of the Company is dedicated and committed to promoting the enterprise values; and safeguarding the trust of its shareholders with honesty and transparency in all business practices as a responsible corporate citizen of the country.

Share Ownership Structure

The share ownership structure of the Company in FY 2077/78 is indicated in the table below:

Group	Shareholder	% Holding	Remark
A	Government of Nepal (GoN)	7.42%	9.65%
	United Mission to Nepal (UMN)	1.37%	
	Nepal Electricity Authority (NEA)	0.86%	
B	Shangri-La Energy Limited (SEL)	56.30%	57.88%
	IKN Nepal AS	1.58%	
C	General Public (including Employees)	32.47%	32.47%
Total		100%	100%

The number of shareholders of the Company was 68,595 at the end of FY 2077/78.

Board of Directors and Board Committees

Board of Directors

The Board is the apex body for the management of the Company. The Board has set up different Committees as per the requirements of the Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018. The Board has hired a Management Team led by the Chief Executive Officer (CEO). The role of Board, Committees and Management Team are distinct and devised clearly. Further, the role of Chairperson is to provide the strategic direction and efficient conduct of Board meetings by ensuring that the sufficient information is provided to the Board members to take the informed decision in any agenda presented to the Board. The role of Committees is focused on the specific assigned area to guide the Management Team and to recommend the Board for taking decisions as per the requirement of the Company. The Management Team performs and deliver the business of the Company under the guidance of the Board and its Committees.

Responsibilities of the Board

In line with the prevailing standards of corporate governance, the role of the Board is distinct from that of the management. The Board reviews and discusses the performance of the Company, its 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 the Directors owe 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 role of Chairperson is to provide the strategic direction and efficient conduct of Board meetings by ensuring that the sufficient information is provided to the Board members to take the informed decision in any agenda presented to the Board.

Board Composition

The Company has eight Directors and a position of one of the Independent Directors is vacant. Out of eight Directors, five Directors are from promoters and institutional shareholders, two Directors are from general public shareholders, and one is Independent Director. The existing Directors of the Company are as follows:

Board Meetings

The Board has the practice to fix its annual meeting calendar before the start of each FY. Altogether, fourteen meetings were held during the year. The Directors have been communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 49 days and the shortest was 8 days. The attendance for the Board meetings were as follows:

Board Composition

Name	Position	Group	Representing
Mr. Padma Jyoti	Chairperson	B	SEL
Mr. Pradeep Kumar Shrestha	Director	B	SEL
Mr. Bijaya Krishna Shrestha	Director	B	SEL
Mr. Om Prakash Shrestha	Director	B	SEL
Mr. Raju Maharjan*	Director	A	GoN
Dr. Sandip Shah	Director	C	General Public
Mr. Dinesh Humagain	Director	C	General Public
Mr. Tirtha Man Shakya	Independent Director	-	
Mr. Bijay Bahadur Shrestha	Alt. Director	B	SEL
Mr. Sanjib Rajbhandari	Alt. Director	B	SEL

Mr. Hari Bahadur Budhathoki has been serving as Company Secretary.
* Ministry of Energy, Water Resources and Irrigation designated Mr. Raju Maharjan, Senior Divisional Engineer, as a Director of the Company in place of Mr. Sandip Kumar Dev, Joint Secretary.

Board Meetings

Name	Designation	Meetings Attended
Mr. Padma Jyoti	Chairperson	14/14
Mr. Pradeep Kumar Shrestha	Director	14/14
Mr. Bijaya Krishna Shrestha	Director	14/14
Mr. Om Prakash Shrestha	Director	13/14
Mr. Sandip Kumar Dev	Director	14/14
Dr. Sandip Shah	Director	13/14
Mr. Dinesh Humagain	Director	14/14
Mr. Tirtha Man Shakya	Independent Director	14/14
Mr. Bijay Bahadur Shrestha	Alt. Director	14/14
Mr. Hari Bahadur Budhathoki	Company Secretary	14/14

There was no case of postponement of Board meeting due to lack of quorum. Mr. Bijay Bahadur Shrestha, Alt. Director attended all Board meetings with one meeting as the voting Director. The minutes of all Board meetings have been maintained separately. The Company has the Code of Conducts and Ethics, which applies to Directors as well. All Directors have been providing their personal details to the Company within the deadline specified by the Companies Act, 2006.

Fee and Allowances of Directors

The allowances of the Board members as approved by 27th Annual General Meeting (AGM) held on Poush 24, 2076 are as follows:

1. The meeting fee for attending the meeting of the Board and Board Committee formed by the Board is NPR 10,000 per meeting;
2. The transportation allowance is NPR 10,000 per month for Chairperson and NPR 8,500 per month for other Board Members;
3. The Information Communication and Technology allowance for all Board Members is NPR 5,000 per month;
4. Allowance for special task assigned to the Board Members if any, as decided by the Board on reasonable ground;
5. Travel allowances (TA) and Daily allowances (DA) – Actual expenses incurred for domestic travel and in case of foreign travel DA will be US$ 150 except for India or actual expenses incurred as the case may be; and
6. Other facilities – Insurance (Group personal accident (GPA), and international travel) as decided by the Board.

A total of 14 Board meetings and 26 Committee meetings from eight Committees were held during FY 2077/78 and the Company paid NPR 3,174,000 to Directors as meeting fees and allowances. Further, the Directors were covered under GPA and COVID-19 insurance policy procured by the Company.

Board Committees

The Company has three mandatory Committees and five other Committees set up by the Board to strengthen the internal control system and ensure the better monitoring and supervision of Management and to recommend the Board for taking decisions as per the requirement of the Company. The name of Committees and their members and meetings number in FY 2077/78 are mentioned in the table below:

Audit Committee

The Audit Committee is comprised of three Board members. The meeting of Audit Committee is held on need basis. CEO, Chief Risk Officer (CRO), VPs and Compliance Officer attend the meeting of Audit Committee as management invitee and Company Secretary acts as Secretary of the Audit Committee.

Committees Details

Committees	No. of members	No. of meetings conducted
Audit Committee	3	4
Risk Management Committee	3	2
Assets & Liabilities Committee	3	6
Finance Committee	3	4
Others		
NHE Matters Committee	3	1
Remuneration Committee	2	0
Marsyangdi Cascade Committee	3	8
Recovery Committee	3	1

Composition

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Mr. Dinesh Humagain, Director	Member
Mr. Bijaya Bahadur Shrestha, Alternate Director	Member

The Audit Committee had 4 meetings in FY 2077/78.

The Audit Committee appointed Internal Auditor for FY 2077/78. 28th AGM of the Company appointed the Statutory Auditor for FY 2077/78 as per the recommendation of the Audit Committee. As per the instruction of the Audit Committee, Management has maintained the dividend payable account and additional provisioning of investment in Kabeli-A HEP.

Risk Management Committee

The Risk Management Committee (RMC) is comprised of three Board members. The meeting of RMC is held as per the need basis. CEO, CRO, VPs and Compliance Officer attend the RMC meeting as management invitee and Company Secretary acts as Secretary of the RMC. The VP-Finance works as the CRO of the Company. The CRO submits the report to the RMC every quarter or as and when required, regarding the overall implementation of risk plan and processes.

Composition

Name	Position
Dr. Sandip Shah, Director	Chairman
Mr. Tirtha Man Shakya, Independent Director	Member
Mr. Bijaya Bahadur Shrestha, Alternate Director	Member

The RMC had 2 meetings in FY 2077/78.

The RMC reviewed the revised Occupational Health and Safety Manual, Enterprise Risk Management Model and Risk Register Evaluation Matrix and recommended to the Board for approval. These Manuals have been approved by the Board and are under implementation.

CRO submits report to the RMC on quarterly basis regarding overall implementation of risk plans and processes by the management along with the report on significant risk affecting gravely to the business or financial health of the Company on requirement basis. CRO reviews and monitors the annual risk register prepared by the management.

Assets and Liabilities Committee

Assets and Liabilities Committee (ALC) is comprised of three Board members. The meeting of ALC is held as per the need basis. CEO, CRO, VPs and Compliance Officer attend the ALC meeting as management invitee and Company Secretary acts as Secretary of ALC.

Composition

Name	Position
Mr. Bijaya Krishna Shrestha, Director	Chairman
Mr. Om Prakash Shrestha, Director	Member
Mr. Raju Maharjan, Director*	Member

* From 2078/06/18.

The ALC had 6 meetings in FY 2077/78.

The Committee reviewed the annual budget performance for FY 2077/78 and scrutinized the annual budget for FY 2078/79 and the Physical Assets Verification Report prepared by Management. ALC reviewed the proposed dividend for FY 2076/77 and gave its recommendation to the Board.

Finance Committee

The Finance Committee (FC) is comprised of three Board members. The meeting of FC is held as per the need basis. CEO, CRO, VPs and Compliance Officer attend the FC meeting as management invitees and Company Secretary acts as Secretary of FC.

Composition

Name	Position
Mr. Bijay Bahadur Shrestha, Alternate Director	Chairman
Mr. Bijaya Krishna Shrestha, Director	Member
Mr. Dinesh Humagain, Director	Member

The FC had 4 meetings in FY 2077/78.

FC contributed in the areas of renewal of insurance policies, re-arrangement of credit facilities, funding plan, fund management, and interest rate risk management in FY 2077/78.

NHE Matters Committee

The Committee on Nepal Hydro & Electric Limited (NHE) Matters is comprised of three Board members, which was set up by the Board on Falgun 29, 2075 as an ad-hoc committee to guide Management to resolve the difference and dispute regarding the management of NHE.

Composition

Name	Position
Mr. Bijay Bahadur Shrestha, Alternate Director	Chairman
Dr. Sandip Shah, Director	Member

The NHE Committee had 3 meetings in FY 2077/78.

Remuneration Committee

The Remuneration Committee (RC) is an ad-hoc Committee comprised of two Board members. CEO attends RC meetings as Management invitee.

BPC Board Meeting

Composition

Name	Position
Mr. Bijay Bahadur Shrestha, Alternate Director	Chairman
Dr. Sandip Shah, Director	Member

Marsyangdi Cascade Committee

The Marsyangdi Cascade Committee (MCC) is a business Committee comprised of three Board members to advise and recommend the Board to develop strategies and take necessary decision with regards to MCPs and provide necessary guidance to the Management. CEO attends MCC meetings as Management Invitee.

Composition

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Mr. Padma Jyoti, Chairman	Member
Dr. Sandip Shah, Director	Member

The MCC had 8 meetings in FY 2077/78.

MCC has been performing its functions effectively.

Recovery Committee

The Recovery Committee is an ad-hoc business Committee comprised of three Board members in order to guide management to recover the advance given to SC Power Pvt. Ltd. and its shareholders. CEO attended Recovery Committee meeting as an invitee.

Composition

Name	Position
Mr. Bijay Bahadur Shrestha, Alternate Director	Chairman
Dr. Sandip Shah, Director	Member
Mr. Dinesh Humagain, Director	Member

The Recovery Committee had 1 meeting in FY 2077/78.

Recovery Committee has been working on the function entrusted to it by the Board. Partial payment has been recovered and an understanding has been signed to recover the remaining amount within FY 2078/79.

Regulatory Compliance & Reporting

The Company submitted the Compliance Report for FY 2076/77 to SEBON confirming that the Company has complied with the requirements as per the Listed Companies Corporate Governance Guidelines, 2074. Mr. Tika Ram Bhatta, VP-Corporate has been designated as the Compliance Officer of the Company.

The statutory reports have been submitted to Electricity Regulatory Commission, Securities Board of Nepal, Nepal Stock Exchange Limited, CDS and Clearing Limited, Office of the Company Registrar, Medium Tax Payers' Office, Department of Industry, Department of Electricity Development and Labor Office in line with the reporting requirements prescribed by the prevailing laws and regulations on timely manner.

Relations and Communication with Shareholders and Stakeholders

BPC has been giving utmost importance to timely communication with the shareholders and stakeholders to ensure that key messages are delivered consistently. The Company considers effective communication with shareholders essential to enable them to have a clear assessment of the performance of the Company. Feedbacks received during the 28th AGM virtually held on January 12, 2021 have been duly considered as possible for the betterment of the Company. 31 number of shareholders representing 66.90 % shares were present in the AGM. The declaration of cash dividend combined with bonus shares was highly appreciated by the shareholders.

The Company communicated the notice of 28th AGM and Abridged Financial Report of the Company, the minutes of meeting of the AGM and quarterly financial reports of the Company through publishing in newspapers and the website of the Company for ready information for the shareholders and other stakeholders. Any other information of the Company required to be disclosed under prevailing laws have been disseminated by the Company widely and in timely manner. BPC maintains a corporate website where important information about the Company's activities and corporate matters have been uploaded as per the requirement of Right to Information Act, 2064 and Right to Information Rules, 2065.

Management

The Management performs and delivers the business of the Company under the guidance of the Board and its Committees. Management is led by the CEO. A comprehensive report on key initiatives undertaken during the year, segment performance, five-year financial review, achievement, and the future outlook is being prepared every year and published in the Annual Report of the Company. The total payments made to the Top Management (CEO, VPs, Head of Operation and Senior Manager- BD&P) of the Company in FY 2077/78 amounts to NPR 17,295,561.

Human Resource

Human resources are the backbone of the Company. There were 160 regular employees and 42 contract employees in the Company which includes 104 technical and 98 non-technical employees. During the FY, the Company hired nine employees on employment contract basis. Seven employees retired because of the age factor. One regular employee died due to COVID_19 infections and one contract employee resigned last year. Labor Audit for the FY 2077/78 has been conducted by the Compliance Officer and submitted to the Labor Office. The Company carries out the annual performance appraisal of its personnel. Out of the total expenses of the Company, the personnel expenses share 37% in FY 2077/78.

Share Registrar

NABIL Investment Banking Limited has been appointed and working as Share Registrar of the Company effective from Shrawan 1, 2077.

Dividend Distribution

The 28th AGM had approved for distribution of 15% cash dividend and 10% stock dividend from the net profit of FY 2076/77. The dividend was distributed as per the decision of Board and the approval of Ministry of Finance pursuant to Section 182(2) of the Companies Act, 2063.

Transparency and Disclosures

The Company believes in transparency of its business operations and makes disclosures as required. The disclosures are communicated to SEBON and capital market through quarterly and annual reporting for the benefits of shareholders and stakeholders of the Company. The disclosures on related-party transactions, contingent liabilities and other relevant information are also made in the notes to the financial statements.

Risk Management

Enterprise Risk Management System has been implemented through identification, assessment, planning, evaluation, controlling and monitoring process of risk across the Company. The Company regularly analyzes the risk through the matrix of major, high, moderate, minor and insignificant risk measurement and adopts the appropriate risk mitigation strategy. As indicated in the Company policy and as per requirement, risks are being managed. The RMC set up by the Board has been monitoring the risks associated with the activities being carried out by the different business units across the Company. Quarterly reporting system by management to RMC and annual reporting by RMC to Board regarding the overall implementation of risk plan and processes are in place. The Company has procured insurance policies from a reliable insurance company to safeguard the personnel and assets of the Company.

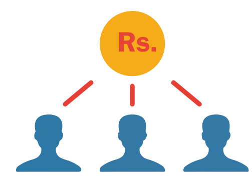
Internal Control and Accountability

The Company has a practice to hire independent audit firm for internal audits as well. The Company has framed Financial, Procurement and Personnel manual for its day to day function and business operation. The roles, responsibilities and authority matrix are well defined. Meetings of the Board, Committees and Management are held regularly. Internal and external communication channels in the Company are defined and implemented accordingly. A defined risk management system is in place.

The Company obtained the services from independent auditors/consultants 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 the internal audit recommendations and decision of the Audit Committee have been implemented to promote the financial governance of the Company.

The statutory auditor examines the financial statements in line with the Nepal Financial Reporting Standard (NFRS) along with the prevailing Acts, Rules and Regulations; and issues the audit report. The Company started preparing IFRS/NFRS compliant financial statements since FY 2073/74 and also presented consolidated financial statement in line with the IFRS/ NFRS. According to the Internal and Statutory audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon. The Company has kept proper books of accounts as required by law and internationally adopted standard and therefore give a true and fair view, in all material respects the financial position of the Company as on Ashad 31, 2078.

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



Total shareholders of the Company

68,595

at FY end 2077/78.

Corporate Social Responsibility

The Company performed its Corporate Social Responsibilities (CSR) in line with the CSR Policy. The Company gives priority to the location and people under CSR where it carries out the business. Total contribution made by the Company for CSR in FY 2077/78 amounts to NPR 28,707,334; which is much higher than the requirement prescribed by the Industrial Enterprises Act, 2020.

Accounts and Auditing

The Company has adopted the NFRS. The books and accounts of the Company have been maintained as per the prescribed standards and in compliance with the applicable laws. The internal audit of the Company for FY 2077/78 was conducted by an independent audit firm. M/S P.L. Shrestha & Co., Chartered Accountants. M/S CSC & Co., Chartered Accountants conducted statutory audit and certifications of the Company for FY 2077/78.

Annual Report

The Company prepares and publishes a comprehensive report on key initiatives undertaken during the year, segment performance, five-year financial review, achievement and future outlook every year.

Shareholding of Board of Directors in BPC:

S. No.	Name	Designation	No. of shares held
1	Mr. Padma Jyoti	Chairman	119,928
2	Mr. Pradeep Kumar Shrestha	Director	-
3	Mr. Bijaya Krishna Shrestha	Director	288
4	Mr. Om Prakash Shrestha	Director	-
5	Mr. Raju Maharjan	Director	-
6	Dr. Sandip Shah	Director	24,957
7	Mr. Dinesh Humagain	Director	1,928
8	Mr. Tirtha Man Shakya	Independent Director	-
9	Mr. Bijay Bahadur Shrestha	Alt. Director	10,626
10	Mr. Sanjib Rajbhandari	Alt. Director	7,590

BPC's representation in its Subsidiary and Associate Companies

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

Company	Shareholding (In %)	Name	Position in Board
BPC Services Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha Mr. Pratik Man Singh Pradhan	Chairman Director Director Alt. Director
Himal Power Ltd.	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Engineering Ltd. *	80%	Mr. Uttar Kumar Shrestha Dr. Sandip Shah** Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha	Chairman Director Director Director
Hydro Lab (P) Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Gurans Energy Ltd.	40%	Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director

Company	Shareholding (In %)	Name	Position in Board
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Dinesh Humagain Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Alt. Director Alt. Director
Nepal Hydro & Electric Ltd.	51.30%	Mr. Bijay Bahadur Shrestha Mr. Dinesh Humagain Mr. Uttar Kumar Shrestha	Director Director Alt. Director
Nyadi Hydropower Ltd.	97.20%	Mr. Om Prakash Shrestha Mr. Pradeep Kumar Shrestha Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Alt. Director Alt. Director
S.C.I.G. International Nepal Hydro Joint Development Company (P) Ltd.	20%	Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Director Director
Manang Marshyangdi Hydro Power Co. (P) Ltd.	100.00%	Mr. Pradeep Kumar Shrestha Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director Director
Himtal Hydropower Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director
Marshyangdi Transmission Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director

* BPC acquired additional 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this acquisition, BPC owned 100% shares of Hydro Consult Engineering Ltd. (HCE) effective from FY 2078/79.

**Appointed Board of Directors of HCE effective from 2078/05/13 (August 29, 2021)

Top Management and Senior Executives

The overall company management is led by the CEO and functionally led by the Vice Presidents/Function Heads. The names and designations of Sr. Executives are as below

S. N.	Name & Designation	Educational Qualification	Year of Experience	Remark
1	Mr. Uttar Kumar Shrestha, CEO	Chartered Accountant, M.B.A.	35 years	
2	Mr. Pratik Man Singh Pradhan, VP-BD&P	M.S. (Hydropower Planning & Development and Civil & Environment Management)	27 years	Deputed in SCIG as DGM
3	Mr. Radheshyam Shrestha, VP-Finance	Chartered Accountant, M.B.A.	41 years	
4	Mr. Tika Ram Bhatta, VP-Corporate	M.A. (Pol. Science), Master of Management Studies (MMS)	40 years	
5	Mr. Prakash Kumar Shrestha, Head- Operations	B. Tec. (Electrical), M.E. (Electrical ; Diploma), M.B.A.	27 years	
6	Mr. Ganesh Prasad Khanal, Sr. Manager- BD & P	B.E. (Civil), M.B.A.	27 years	

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 75

CHAIRPERSON

- B.Tech. in Mechanical Engineering from IIT Kanpur, India and S.M. from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 18 years of experience in hydropower along with 49 years of experience in industries and business operations.

- Chairman, Jyoti Group
- Alternate Director, Sagarmatha Insurance Co. Limited
- Director, Shangri-La Energy Limited
- Immediate Past President, National Business Initiative

Mr. Pradeep Kumar Shrestha, 61

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal
- More than18 years of experience in hydropower along with 36 years of experience in industries and business operations

- Managing Director, Panchakanaya Group of Industries
- Honorary Consul, the Republic of South Africa
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Past President, Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- Director, Shangri-La Energy Ltd.
- Director, Scenic Housing

Mr. Bijaya Krishna Shrestha, 73

DIRECTOR

- B.E (Electrical) and MBA graduate from Southern Illinois University, USA.
- More than 13 years of experience in hydropower along with 40 years of experience in the banking, insurance, computer and electronic sector

- Chairman, Beltron Investment (P) Ltd.
- Director, Premier Insurance Ltd.
- Director, Shangri-La Energy Ltd.

Mr. Om Prakash Shrestha, 62

DIRECTOR

- B.E (Civil) from Punjab University, Chandigarh, India
- More than 10 years of experience in hydropower along with 33 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co.
- Director, Interworld Trading

Raju Maharjan, 49

DIRECTOR

- B.E (Electrical and Electronics Engineering) from Bangalore University, India
- M. Tech., Water Resources Development, IIT Roorkee, India
- More than 24 years of experience in engineering field with 21 years in energy and water resources sector in public service
- Senior Divisional Engineer, Ministry of Energy, Water Resources and Irrigation, GoN

Dr. Sandip Shah, 57
DIRECTOR

- Ph. D in Rock Engineering and M.A.Sc in Structural Engineering from University of Toronto, Canada; B.E (Civil) from University of Roorkee
- Executive Certificate in Directorship, Singapore Management University
- More than 29 years of experience as hydropower engineer, energy specialist independent power producer and project management professional including experience of working with international hydropower and renewable energy companies like Panda Energy, USA, SN Power and Statkraft AS, Norway and Dolma Himalayan Energy of UK
- Chairman & Managing Director – Pashupati Renewables (P) Ltd.
- Founder Chairman – Sandip Shah Consult (P) Ltd.
- Senior Strategic Technical Advisor – Power Trade & Energy Exchange Ltd.
- Chairman-Sukarma Investment (P) Ltd.
- Chairman-Sarthak Concrete (P) Ltd.
- Former Managing Director – Dolma Himalayan Energy
- Former General Manager of Himal Power Ltd.
- Former VP and Country Director – SN Power AS and Statkraft AS
- Former General Manager – Bhote Koshi Power Company
- Former Director (Hydro) – Shah Consult International
- Fellow of International Hydropower Association (IHA)
- Life Member of Nepal Engineers' Association (NEA), Nepal Geological Society (NGS) and Nepal Hydropower Association (NHA)
- Past President of Independent Power Producers' Association, Nepal (IPPAN)
- Immediate Past President of Nepal Tunnelling Association (NTA)

Mr. Dinesh Humagain, 44
DIRECTOR

- M.A. in Rural Development and Political Science from Tribhuvan University.
- 17 Years of experience in Nepalese Stock Market and 22 years of experience in various social works

Mr. Tirtha Man Shakya, 68
INDEPENDENT DIRECTOR

- B. E. (Electrical) Honours from Jadavpur University, Calcutta, India
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal
- More than 35 Years of Work Experiences in Different Job Positions in NEA including General Manager, Transmission and System Operation
- More than 10 years of consulting services for NEA, Asian Development Bank (ADB), UNDP, Total Management Services (TMS) Jade Consult and others in the field of Management and Electrical Power System
- Member, Nepal Engineering Council
- Member, Nepal Engineers Association
- Vice President, Society of Electrical Engineers, Nepal (SEEN)
- Life Member, JICA Alumni Association Nepal (JAAN)
- Executive Member, The Shakya Foundation Nepal

Mr. Bijay Bahadur Shrestha, 66
ALTERNATE DIRECTOR

- MBA from Delhi University, India
- More than18 years of experience in hydropower along with 35 years of experience in the export sector and more than 20 years of experience in the capital market, banking, financial and insurance sectors
- Director of Himalayan Bank Ltd.
- Director, Shangri-La Energy Ltd.
- Director, Snowlion Carpets (P) Ltd.
- Director, Nepal Lube Oil Ltd.

Mr. Sanjib Rajbhandari, 62
ALTERNATE DIRECTOR

- Graduate from Mumbai University, India
- 32 years of experience in IT sector
- Chairman, Mercantile Office Systems (P) Ltd.
- Chairman, Mercantile Communications (P) Ltd.
- Director, Pumori Agro Forestry Industries (P) Ltd.
- Chairman, Resonance Nepal (P) Ltd.
- Director, Hits Nepal (P) Ltd.
- Chairman, M Nepal (P) Ltd.
- Director, Serving Minds (P) Ltd.
- Chairman, Flexiterm (P) Ltd.
- Director, Himal Power Ltd.
- Chairman, SR Investment (P) Ltd.
- Chairman, SS Investment (P) Ltd.

Management Discussion and Analysis

Business Environment

The major elements of business environment are political, economic, social, technological, legal, and environmental (PESTLE). After the restoration of multi-party democracy in 1990, a free and prosperous Nepal was expected amongst its citizen. Unfortunately, the hope of the people has not been materialized as expected even after the adoption of Federalism in 2015. With a two-thirds majority government in its Parliament, the country ventured into a new era of political stability. However, sustained political disorder once again diverted focus from strengthening federalism.

With the second wave of the Coronavirus from April 2021, the country was swift in implementing lockdown measures to tackle the pandemic which had severe impact on the economic activities. Currently, rapid vaccination drive is ongoing and achieving its targets of vaccination very effectively.

Nepal has a huge potential for hydropower development with a number of perennial rivers originating from the high mountains flowing towards southern Terai. Additionally, because of the south facing lands with long hours of sun light, Nepal is suitable for large solar power projects. However, the installed hydro capacity to date is only about 2000 MW (including the recently commissioned 456 Upper Tamakoshi) which is less than 5% of techno-commercially feasible potential. NEA owns and operates the national grid, and is the only off-taker in the electricity market in Nepal. Although NEA's financial strength had improved in the past few years, it has declined slightly in the FY 2077/78 due to increase in system loss, reduced generation, lockdowns, increased energy import and increased operating expenses. Utilization of surplus energy during wet season is one of the challenges and has to be managed through increase in internal consumption and exploring cross border energy market.

Nepal has been pursuing a liberal foreign investment policy and striving to create an investment-friendly environment to attract Foreign Direct Investments (FDI) into the country. The PPA of 216 MW Upper Trishuli 1 HEP and 120 MW Rasuwa-Bhotekoshi HEP on foreign currency risk sharing basis were signed. Subsequently, many foreign investors were attracted to invest in hydropower sector in Nepal and pursue for PPA in foreign currency. In the meantime, the GoN has not yet addressed the issues with hedging mechanism, which could help attract foreign investments in the hydropower projects. NEA is unwilling to sign PPA in accordance with the modality of previous PPAs for FDI projects and the government is also unwilling to provide PDA conditions in line with previous practices. Such dilemma in FDI projects has led to difficulties in concluding bankable PPAs. As a result, the environment to invest in hydropower sector by foreign investors and financial institution is not conducive. ERC is working on to facilitate IPPs for feasible PPA tariff, speeding up regulatory approvals.

Besides, for timely completion of bigger hydropower projects, expansion and reinforcement of transmission line networks and interconnection facilities is a must and NEA is working on addressing this pre-requisite.

Nepal's first cross border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, has been commissioned. The transmission line, being the major hub for power exchange between Nepal and India, will ease power trading between the two countries to some extent. NEA has initiated the process for the construction of New Butwal-Gorakhpur, New Duhabi-Purnia and Lumki-Bareilli cross-border transmission lines so as to enhance the cross border power trading.

The energy uses in the various sectors of the national economy like agriculture, industry, transport, tourism, health services, and domestic use are required to switch to electrical energy in order to minimize the dependency on fossil fuels and make use of surplus power in the country. Dependency on petroleum products is the major cause of huge trade deficit. Increased prices, shortages and pollution generating fossil fuel demands for development of sustainable source for clean energy like hydropower and solar. The dependency on fossil fuels could be reduced through the production and distribution of electricity to meet the demand of household and industrial sector, replacing cooking gas, and using electric transport.

MoEWRI has already implemented relief package for hydropower plants below 10 MW. The fiscal budget has announced tax exemption for reservoir and semi-reservoir based hydropower projects with capacity more than 200 MW. Those reservoir and semi-reservoir based hydropower projects which have completed their financial management and commercial production prior to Chaitra 2082 BS, will be exempted income tax for first 15 years and 50% income tax exemption for the next six years. An arrangement has been made on the reduction of 1% taxation on purchase of construction materials, equipment, machineries and their spare parts, penstock required for hydropower projects.

Financial Performance

Nepal Financial Reporting Standards Compliant Financial Statements

The Company has been preparing International Financial Reporting Standards (IFRS)/Nepal Financial Reporting Standards (NFRS) compliant financial statements from the FY 2073/74 BS (the year 2017), to fulfil the mandatory provision of Institute of Chartered Accountants of Nepal (ICAN). All subsidiary companies have also been preparing the financial statements in compliance with NFRS, and Group consolidated financial statements are also prepared accordingly.

Financial Result

BPC's net profit concluded at NPR 501.82 million this year with a decrease of 31.38% from last year. Company's revenue decreased by 5.91% amounting total turnover to NPR 646.14 million. Similarly, the gross profit is decreased by 34.77% to NPR 209.80 million. The other income (mainly represented by dividend income and capital gains from sale of 77.4% shares of MMHEP held by BPC) also decreased by 10.43% to NPR 687.72 million this year compared to NPR 767.82 million from previous year. Conversely, generation, distribution, and administrative expenses have increased this year by 27.06% (from NPR 245.69 million to NPR 312.18 million), 3.98% (from NPR 119.41 million to NPR 124.16 million) and 3.57% (from NPR 123.34 million to NPR 127.74 million) respectively. The significant increase in generation expenses this year is due to increase in electricity purchased from NEA, repair & maintenance, and mitigation expenses. However, finance income has increased by 141.33% to NPR 58.53 million which was NPR 24.25 million last year. This increase is due to the increase in fixed deposit amount at the banks.

The Earnings per Share of the Company is NPR 17.00, which has significantly decreased compared to previous year and the net worth of the Company amounts to NPR 7,009.39 million, which has decreased by 0.28% compared to last year. Similarly, investment in shares (unlisted companies) has decreased by 18.80% (by NPR 764.78 million) this year mainly due to decrease in fair value of an investment in shares of HPL, sale of 77.40% shares of MMHEP held by BPC and provision made for impairment loss on investment in KAHEP.

Net Financial Assets

Gross Capital investment in shares and projects is NPR 3,303.68 million in FY 2077/78 as compared to NPR 4,068.46 million in FY 2076/77. The investment was made mainly in NHE, HCE, KHL, HPL, NHL, KAHEP, MMHEP, and UM2HEP.

Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) of Andhikhola and Jhimruk Hydro Power Plant for generation, transmission and distribution shall end on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The total amortized assets value to this effect NPR 1,864.53 million has been treated as leasehold property.

Total generation in FY 2077/78 was

127.5 GWh

68.4% sold to NEA & 33.35% to BPC distribution

Connection Agreement signed for
7.9MW
Chino Khola HEP

Group Consolidated Financial Statement

BPC has a majority share in NHL, NHE, KHL, HCEL, and BPCSL. All the group companies have prepared IFRS/NFRS compliant financial statements and group consolidated financial statement is prepared as per the provision of Company Act, 2063 and NFRS.

Consolidated turnover amounts to NPR 2,636.72 million with the decrease of 15.90%. Gross profit amounts to NPR 301.32 million with the decrease of 36.80% and profit from the operation is NPR 761.80 million with the decrease of 23.50%. Similarly, consolidated net profit for the year concluded at NPR 309.74 million with a decrease of 56.50%. Group EPS stands at NPR 11.41 per share and the net worth is NPR 7,180.82 million which amounts to NPR 243.31 per share.

The financial statements of BPC and the consolidated group financial statements along with detail notes are presented separately in this annual report.

Contribution towards National Economy

For a developing nation like Nepal, the need for reliable and affordable energy is a pre-requisite for economic development. Energy services have effect on productivity, health, education, safe water, and communication services. Reliable energy supply system supports industrial expansion, modern agriculture, increased trade and improved transportation system. Modernizing agriculture by employing various agricultural tools in the current situation, where most of the youths are in foreign employment to earn for their family, can reduce the heavy dependency on people for agricultural activities. Like agriculture, tourism and manufacturing industries; hydropower development has also been considered as one of the major factors of economic development of the country. The hydropower development generates various businesses and employment opportunities due to the increased access to electricity. The sufficiency of energy production can reduce import of petroleum products, boost businesses and industries ultimately resulting in the reduction of trade deficit and foreign currency reserve to some extent.

Despite immense hydropower generation potential, the total generation of hydroelectricity is currently limited to around 2,000 MW, which is less than 5% of its feasible potential of 42,000 MW and 2.4% of the gross potential of 83,000 MW. A large chunk of the generated energy is based on the river flow leading to a significant reduction in the generated amount during dry season (up to one third) when there is maximum system demand. To fulfil demand during the dry period it is our compulsion to import power from India unless we develop storage type hydropower projects like Kulekhani.

BPC operates two power plants, has investment in two operating power plants and two projects under construction with total operating capacity of 86 MW, contributing to national hydropower generation of 4.3%. In terms of the total number of national customers, BPC serves more than 1.33% directly connected customers through its distribution system in Syangja, Palpa, Pyuthan, and Rolpa districts of western Nepal.

BPC in partnership with Chinese investors has been developing three hydropower projects in Marsyangdi basin with a total installed capacity of 601 MW in a cascade model. Likewise, 30 MW NHP is nearing completion, which once commissioned will help to improve BPC's equity MW and boost national economy to some extent. Additionally, the Company has a number of projects in pipeline which are at early stages of development and will help achieve its goal towards sustainable hydropower development in Nepal in the future.

Generation Business

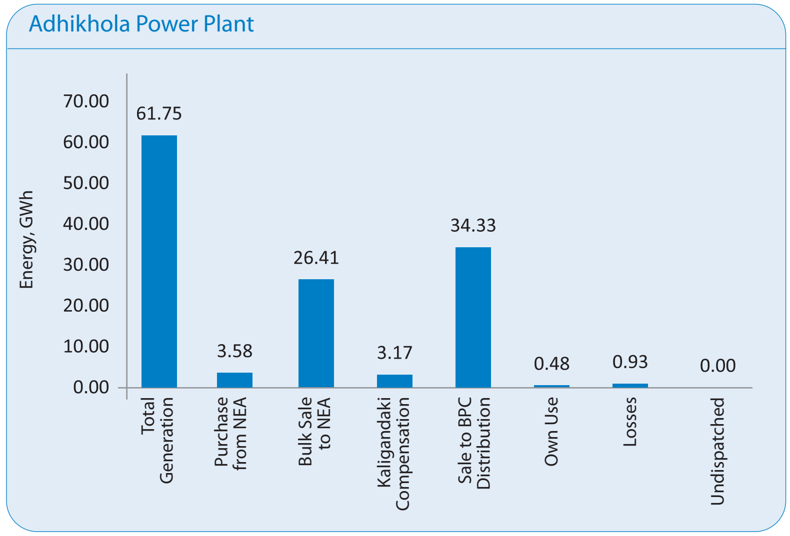
The main objective of the Generation Business Unit is to carry out smooth operation and maintenance of hydropower plants for the sale of energy to its customers. Currently, this Business Unit is involved in overall operation and maintenance management of two hydropower plants-9.4 MW Andhikhola and 12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

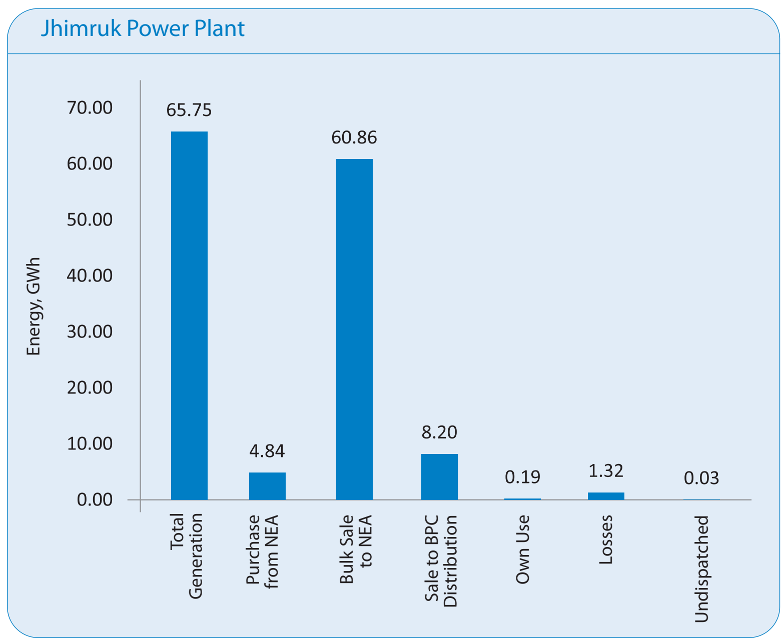
During the fiscal year 2077/78, total generation was 127.5 GWh. About 68.47% of total available energy was supplied to NEA and 33.35 % to BPC distribution.

Andhikhola Power Plant generated 61.75 GWh with plant factor of 74.99%, which is a decrease of 13.48% (9.623 GWh) over the previous year. Out of the total available energy, 29.582 GWh (47.90%) was supplied to NEA including Kaligandaki compensation of 3.167 GWh, and 34.334 GWh (55.60%) was sold to BPC Distribution.

Jhimruk Power Plant generated 65.75 GWh energy with plant factor of 62.55%, which is a decrease of 10.10% (7.390 GWh) over the previous year. Out of the total available energy, 60.884 GWh (92.59%) was supplied to NEA and 8.196 GWh (12.46%) was sold to BPC distribution. At times when there was low energy production from the plant or when the plant was stopped, Jhimruk Plant supplied electricity to BPC distribution and local NEA by purchasing energy from NEA grid.

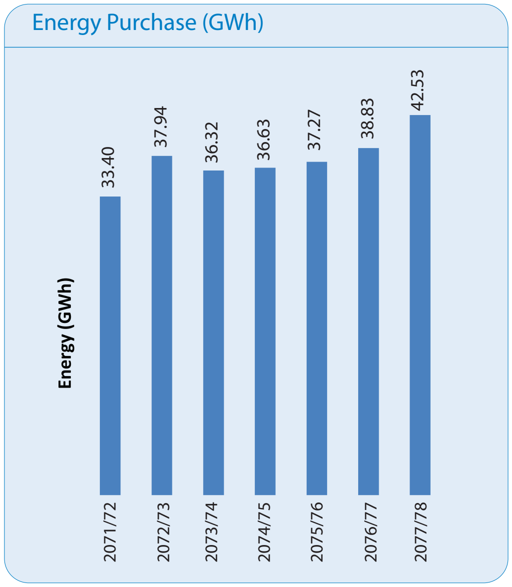
The high quartz content in Jhimruk river water during monsoon season remained the major factor for reduced power generation and severe erosion of turbine parts this year too. Overhauling of all turbine parts which included runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried out as per the schedule. In this fiscal year, the major problem encountered was in generators excitation system where the insulation of terminal bolts was damaged. Therefore, Unit #1 and #2 generators were taken out to service floor and rotor was taken out from generator stator for repair. The river training works at upstream of dam structure in right bank of Jhimruk river and Madi river were carried out for protecting the project areas and for protecting farmers' land from flood. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. The plastic sheets were provided to irrigation canal users of Jhimruk river for optimization of downstream released water.

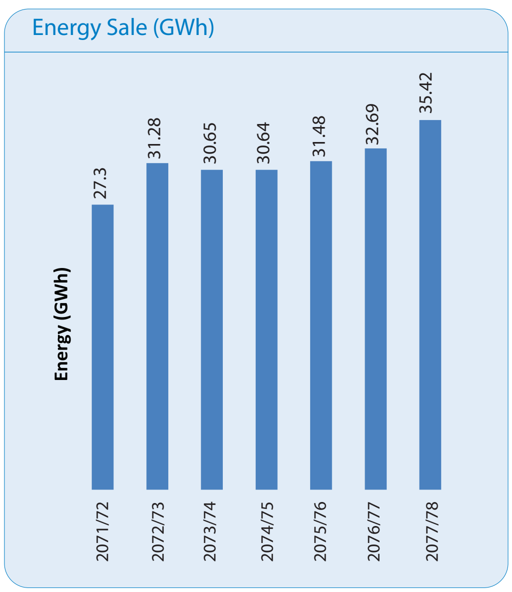




Future Plans and Programmes

In the FY 2078/79, it has been planned to generate 71.285 GWh from AHC and 70.388 GWh from JHC considering past flood outage and assuming that NEA will take the additional energy throughout the year. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on average river discharge of both the plants and estimated outages.





Repair and overhauling of all turbine parts eroded by silt of JHC will be carried out. Repair and maintenance of AHC will be carried out as per the maintenance procedure and schedule. The major maintenance of JHC has been planned from Jestha to Bhadra so that high efficiency of the turbine can be obtained and maximize generation for the rest of the time of the year. For that, NHE is approached to submit a proposal for manufacturing a set of turbine side cover (upper and lower) since the surface of side covers eroded and could not be repaired. The river training works shall be carried out to channelize water into tunnel in Jhimruk river. Social Upliftment Program (SUP) in project affected areas shall be continued to optimize water so as to maximize generation.

Distribution Business

During the FY 2077/78, the total energy purchased was 42.527 GWh which is about 9.53% more than that of previous fiscal year. Increase in the purchase is due to the increase in the number of customer this year (3.27% increase compared to previous year) and increase in the average consumption per customer (4.9% increase compared to previous year).

This year 35.42 GWh energy was sold to retail customers and 0.061 GWh was consumed in the staff quarters and distribution offices. The total sale has increased by 8.35 % compared to previous year mainly due to increase in consumers & average units per consumer per month.

Of the 35.42 GWh sold to retail customers, 27.16 GWh (76.67%) was sold to metered consumers, 0.203 GWh (0.57%) to unmetered consumers, 2.90 GWh (8.18%) to industrial consumers and 5.16 GWh (14.45%) to other consumers*. Compared to previous year, there has been no significant change in the energy consumption pattern of different customer categories. A comparison of energy sale to different categories of customers for the FY 2076/77 and this FY 2077/78 is as follows: There has been an increase in the revenue generated this fiscal year compared to last year. Total revenue (billed amount) this year was NPR 226.81 million out of which, NPR 26.40 million (11.64%) was from industry, NPR 45.99 million (20.28%) from others consumers, NPR 153.84 million (67.83%) from metered consumers and NPR 0.58 million (0.26%) from unmetered consumers. Energy sale has increased by 8.35% whereas revenue generation has increased by 9.03% from that of last year.

Loss Management/Minimization

The total energy loss this year was 7.056 GWh, almost 16.59% of the total purchase energy whereas the loss last year was 15.64%. The slightly increase in system loss as compared to last year is because due to the global pandemic of COVID-19, distribution network system improvement work could not be performed this year.

Further, loss minimization has been remained one of the top priorities of the management particularly for the past several years and the Company has been putting efforts to identify and minimize system loss. For this, complete metering in network has been initiated, which will be given continuity in the coming fiscal year as well. This will help prioritizing high loss areas and identify suitable means of reducing the loss in such areas.

By the end of the fiscal year 2077/78, total of 59,988 customers have been electrified in the four districts marking an increase of 3.27% compared to last year. The increase was mostly due to consumer addition in the old network and network expansion done in the FY 2077/78. The addition of consumers this year is 1901 which is more than the targeted figure of 1363.

By the end of the fiscal year, a total of 1901 consumers were added out of which 1831 were domestic metered consumers, 73 were industrial consumers and 107 others consumers. In addition to this, conversion of cutout consumers into meter was also sought. A total of 110 cutouts were converted into meter.

Necessary system expansion for consumer addition was made possible through installation of new transformers of 11 kV & 33 kV increasing the installed capacity from 17,025 kVA to 18,525 kVA.

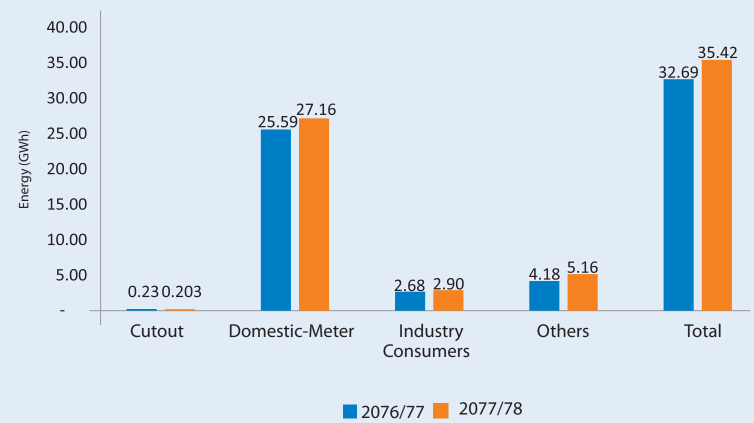
Reliability Indices

In this year, the average service availability index in the distribution system was 97.17% which is slightly more than last year.

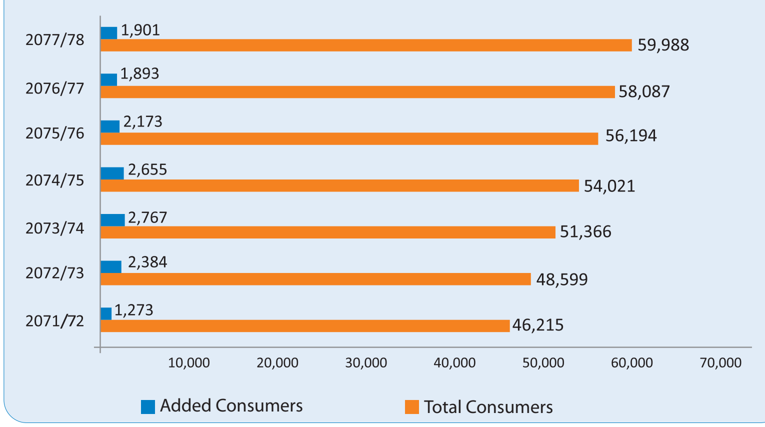
Customer Relations

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

Category-wise energy sales (GWh)

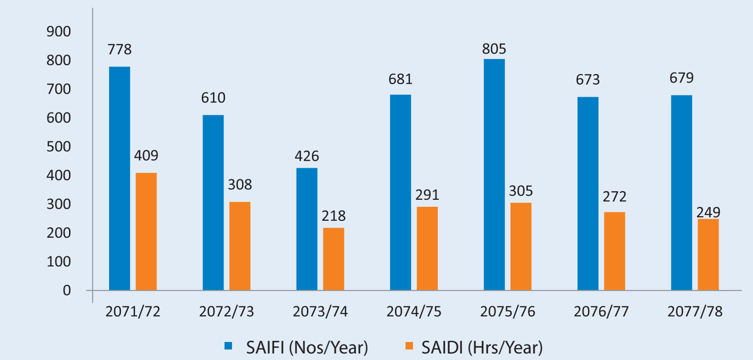


Consumer Growth



Reliability Indices

System Average Interruption Frequency Index (SAIFI)
System Average Interruption Duration Index (SAIDI)

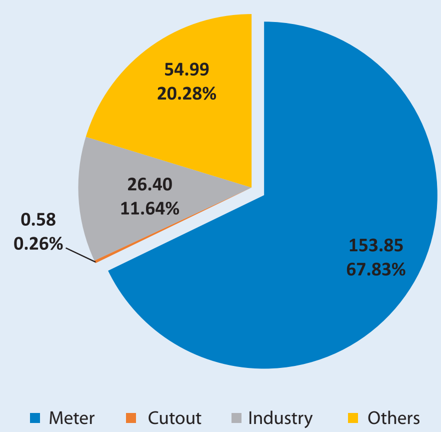


Category	Energy Sale (GWh)		Sale (%)	
	2076/77	2077/78	2076/77	2077/78
Cutout	0.23	0.203	0.72%	0.57%
Domestic-Meter	25.59	27.16	78.29%	76.67%
Industry	2.68	2.90	8.20%	8.18%
Others	4.18	5.16	12.80%	14.57%
Total	32.69	35.42	100.00%	100.00%

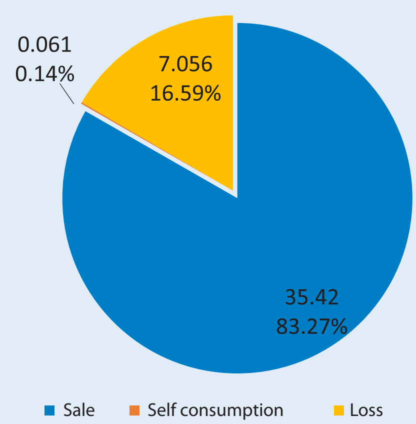
*Other consumers includes commercial, non-commercial, drinking water, irrigation, temple, street light, non-domestic and entertainment consumers.

Category-wise revenue stream

Total Revenue NPR 226.81 million



Status of enegry loss (GWh)



the citizen charter. The total User Organizations this year was 114.

Future Prospects

As a part of system expansion, total of 1,253 new consumers out of which 54 industrial, 80 others consumers and 1119 metered consumers are planned to be added in the FY 78/79 by construction of 21 km of 11 kV, 23.5 km of 33 kV and 105.2 km of low voltage line and addition of 7 transformers of 33 kVA and 17 of 11 kVA.

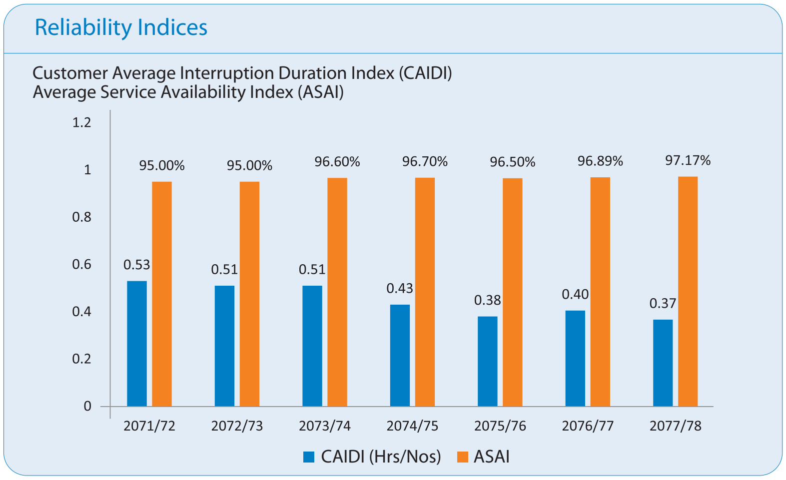
Further, distribution also plans to give continuity to demand side management (DSM) so as to lower the existing consumption pattern of retail customers which was initiated by the Company. Proposed initiative includes use of Light Emitting Diode (LED) bulbs by the consumers. Besides, various awareness programs and distribution of flyers about these initiatives are planned to be distributed to the target group for information dissemination. The installation of energy meters in distribution transformers of all the remaining feeders for loss monitoring will be given continuity this year too.

As a part of energy management for distribution, alternate energy sources, particularly solar energy will be explored for development by BPC.

Major Challenges

The major challenge for operating the distribution business is its sustainability. Despite the annual revenue growth, BPC's distribution business is incurring significant revenue loss every year. The annual loss of distribution business is around

NPR 100 million and the loss has gradually been increasing. The primary reasons for such revenue loss are low tariff rates at Electricity Distribution Centre, Galyang, rural settings of distribution areas and huge financial requirement for distribution network expansion. The revenue loss could be reduced only by increasing the tariff rates. Since the rural electrification is a loss-making business, BPC has been doing social contribution by supplying electricity to the consumers which may not be possible to continue for long. For the implementation of MCPs, favorable PPA and PDA are important for international financing. NEA being the sole utility to manage Nepal's power sector, continued addition of hydro plants, including recently commissioned Upper Tamakoshi, sale of energy is going to pose serious challenge in the coming days. Marketing arrangements and options of domestic power consumption have to be explored by strengthening transmission and distribution system more reliable.



Project Development

Kabeli Energy Ltd. (KEL) was established to develop 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar District in Nepal under BOOT model for which KEL has signed PDA with the GoN. KAHEP is a peaking RoR plant with an estimated capacity factor of 60% and an estimated capital cost of US $98 million. KEL concluded PPA with NEA and financing for the project was arranged from WB, IFC, and local banks. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'.

WB stopped loan disbursement to the project after expiry of disbursement deadline on December 31, 2019 and all physical works are under suspension since then due to financing uncertainty. All possible and feasible options are continuously being explored to revive the project and resume the construction. GoN has been requested and regularly followed up for cooperation and support in line with the spirit of the PDA. In this row, KEL has submitted a written letter to the MoEWRI and NEA stating its wish to complete the project with financing from local banks in local currency and has requested the clarity on PPA rates. NEA may agree on continuing the current PPA including the USD denominated energy rates or may propose posted rate PPA in practice in energy rates denominated in NPR. As soon as there is a clarity on PPA, KEL can negotiate loan agreements and resume construction.

Nyadi Hydropower Limited (NHL), a SPV with a majority shareholding of BPC has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project (NHP) which will generate 168 GWh of energy annually. The generation license was issued from MoEWRI, PPA has been signed with NEA and Loan Facility Agreement was signed with consortium of Nepalese banks for providing loan of NRP 4400 million to the project.

Contract Agreement was signed with EPC contractor for civil, HM and EM works. The

Load Recording

Andhikhola Turbine Repair

project is connected from Beshisahar to Manang road by the construction of a bridge over Marsyangdi river and road from Thakanbeshi to project sites. All sites of the project have been connected by road internally. All these roads and a bridge were constructed by the project on its own cost.

Jhimruk Power Plant - Bearing Noise Examination

Project construction at the site was initiated on 23rd March, 2017. As of the year end 2021, the contractor has completed all civil, HM and EM works. The structures required for tapping of tailrace water from Siuri Power Plant are also ready. The main challenge of the project now is the evacuation of power. Transmission line and interconnection facilities at the 50 MW Upper Marsyangdi-A powerhouse is still under construction, through which NHL envisions to evacuate the power of NHP. NHL has thus been constructing an additional 3 km transmission line and interconnection facilities as an alternate plan to evacuate power from NHP because of delay in construction of 220 kV transmission facilities by NEA.

NHL has issued IPO of shares to the general public including project-affected locals after approval granted by SEBON. Due to COVID-19 pandemic and delay in transmission line construction, NHL could not carry out testing and commissioning to achieve RCOD. NHL has a revised target to start the generation of electricity from the year start 2022.

Chinokhola Hydropower Project (CKHP): The survey license of CKHP was awarded to BPC on 3rd March, 2015. HCE carried out the feasibility study and EIA of the project. The feasibility study has been completed and the project capacity has now been fixed at 7.9 MW at 40% flow exceedance. Accordingly, the survey license has been amended. EIA report has been approved by the MoFE. The project is being developed in order to supply power for the construction of MCPs in the initial phase and then will supply the power to NEA under PPA. The discharge measurement, gauge reading, sediment sample collection and analysis are being carried out as regular activities. The process for PPA with NEA has been initiated for which the connection agreement has recently been signed. The generation license of the project is expected to be received soon. The industry registration for 7.9 MW has been granted by Department of Industry (DoI). The process of SPV formation is ongoing. The project construction is expected to be started within FY 2078/79.

Connection agreement signing for Chino Khola.

Mugu Karnali Hydropower Project (MKHP): GoN had awarded survey license of MKHP to BPC in 2018. The consulting agreement was signed with HCE on 23rd February, 2018 for the feasibility and EIA study. As of now, the pre-feasibility study has been carried out and finalized the feasible option to go for detail feasibility and EIA study.

The major hurdle of project development is that the lower stretch of the licensed area which is a part of the feasible option for the feasibility study has overlapped with the Mugu Karnali Reservoir Project being undertaken by Generation Company of the GoN. The decision on the overlapped area will only be taken after the completion of a feasibility study for the storage project. Considering the overlapped area and feasible option as identified after the pre-feasibility study, the detail feasibility study is ongoing for which the detail topographical survey has already been carried out. Other field activities like gauge installations, direct flow measurement, sediment sampling & analysis has been carried out. Electrical Resistivity Tomography (ERT0 and core drillings could not be started due to COVID-19 pandemic and transportation/movement restrictions and high water flow in the river.

The project is located near Gamgadhi, the district headquarters of Mugu district. The road up to the project site is under construction and expected to be connected by the motorable road very soon. The major challenge of the project is power evacuation. As the license can be extended up to maximum one year. Under the present status of the transmission line plan, getting the connection agreement for PPA seems to be difficult. Therefore, it is necessary to validate the survey license beyond the maximum period to ensure the timeline of implementation for transmission line and assurance of connection agreement.

Marsyangdi Cascade Projects (MCPs): BPC has formed a joint venture company named, SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. with three Chinese Companies of Chengdu, Sichuan Province, the People's Republic of China to develop three hydropower projects in Marsyangdi river. The projects are to be developed as MCPs in collaboration with Chinese companies SCIG International Limited, Xingcheng International Investment Co. Limited, QYEC International Co. Limited, and SCIG International Nepal Hydro Joint Development Company (P) Ltd. through respective project

Distribution customer number increased by 3.27% & average consumption increased by

4.9%

companies. Manang Marshyangdi Hydropower Company Private Limited (MMHCPL) will develop 135 MW Manang Marshyangi HEP (MMHEP); 139.2 MW Lower Manang Marsyangi HEP (LMMHEP) will be developed by a separate SPV which is under incorporation process; and Himtal Hydropower Company Private Limited will develop 327 MW Upper Marsyangdi-2 HEP (UM-2HEP).

As a preparation work, the JV Company upgraded Beshisahar to Chame road on its own cost to facilitate smooth transportation of goods and people in the project area. The construction camps at Danaque was also constructed and other preparations were carried out in order to start main construction works after PPA is signed and financial closure is done.

Continuous heavy rainfall in Jestha, 2078 flooded Marsyangdi river and its tributaries in Manang and Lamjung districts resulting in huge damages to the infrastructures and settlements. The road sections from Besisahar to Chame were severely damaged by flood and landslides. Electricity, transportation and communication networks were disrupted in Nason and Chame rural Municipalities of Manang district. The political leaders, government officials and other stakeholders visited the project sites to inspect the damages.

Manang Marsyangdi Hydropower Project (MMHEP), being developed by MMHCPL has been acquired by BPC to develop in collaboration with the Chinese partners. Share transfer of MMHCPL to Chinese partners has been completed. Generation license has been issued on 17th November, 2018 for 35 years at 282 MW as a RoR project. After the issuance of generation license, project optimization was carried out under Marsyangdi Cascade development considering two downstream projects LMMHEP and UM-2HEP for better utilization of water resources. The consents for PROR development and changes of coordinate boundaries were taken from DoED prior optimization study. The project has been optimized with Peaking RoR type to 135 MW capacity. The PPA with NEA has been concluded. The supplementary EIA was carried out as per the optimized report on 135 MW and approval from the MoFE has been received. The PDA negotiations at the MoEWRI is in process. As

MMHEP PPA Signing with NEA

the project was supposed to get PPA in foreign currency as being a FDI project, NEA has signed the PPA at NPR with provision of currency risk to mitigate through hedging rules. The provision of hedging mechanism has been introduced to cater foreign currency risk in PPA, but investors are waiting for the clarity on hedging cost, sharing proportion and underlying conditions. Once the PDA will be signed and hedging clarity is in place, the financial closure will be carried out and the main construction works will start. The pre-construction activities are partially completed and slowed down due to Covid-19 effects. The roads, camps and other facilities developed by the project have been damaged by the heavy floods at the start of last monsoon.

Lower Manang Marsyangdi Hydropower Project (LMMHEP): BPC received the survey license in 2066. Feasibility study, EIA and the geotechnical investigation of the project was completed in 2070. EIA has been approved by the Ministry of Population and Environment (MoPE) on Chaitra 7, 2070 for 140 MW. The connection agreement was signed in 2074 with NEA. Generation license was issued for 35 years period at 140 MW as RoR type project on Kartik 18, 2075. However, to adjust with MCPs, this project has been re-optimized to take tailwater of PROR MMHEP so that this project is also a PROR project for which the consent for PROR and change in coordinate boundary has been received from DoED. The project now has been re-optimized at 40 percentile flow and the capacity is fixed at 139.2 MW to meet the requirement of NEA's guideline for concluding the PPA. After re-optimization at 139.2 MW, the connection agreement has been amended with NEA. Draft PPA is yet to be initialed with NEA. The investment approval has been granted by IBN and industry registration has been done by DoI on 2078/06/18.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from MMHEP and LMMHEP. The development of this transmission line is being carried out by NEA. The 220 kV Manang hub located at Ghalanchowk village of Nashong Rural Municipality in Manang District will be the connection point of these projects. The facilities for discharge measurement, gauge reading, sediment sample

MMHEP PDA Negotiation Meeting with GoN

Camp Area for Upper Manang-2HEP

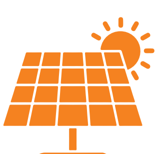
collection and transportation have been washed away by the floods and these activities have been discontinued from last monsoon.

Upper Marsynagdi-2 Hydroelectric Project (UM2HEP): Himtal Hydropower Company Pvt. Ltd. (HHCPL) is developing this project under MCPs. Share transfer of HHCPL to JV companies has been completed. PDA negotiations with the Investment Board of Nepal (IBN) is in process. The project has been re-optimized to 327 MW as per NEA's guideline for PPA and proposes to evacuate its power through the 220 kV proposed Marsyangdi corridor transmission line which is under-construction by NEA. The detailed project report has been updated based on the outcomes of additional investigations at sites and resources optimization and supplementary EIA report has been prepared accordingly. The supplementary EIA is in the process of approval at MoFE.

New Initiatives: As per the growth plan of BPC, identification and review of new hydropower projects for development is a regular process. BPC has identified solar power project in headworks area of JHC and prefeasibility study of the project is carried out. The project capacity is 7 MW for which survey license has been received from DoED. The feasibility study and IEE will start soon. The Company has continuously been identifying projects under construction and/or in operation for acquiring the projects so as to ease the cash flow management in near future as there has been reduced cash income from Khimti plant this year. BPC has also been exploring for potential greenfield projects from the government basket.

International Collaboration on Project Development

The Company has constituted partnership with international agencies such as IFC, WB, Infra-Co Asia (Singapore), Statkraft (Norway) and SCPHI (Canada) at different areas of the business relationship in the development of hydropower projects in Nepal. BPC is working on project development through different SPVs involving foreign partners, consultants, contractors, manufacturers, and suppliers. Most of the collaborations are project-based. The Joint Venture between BPC and three Chinese Companies named Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co.



Business diversification through development of

7MW

solar project.

Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) have set up a JVC to collaborate in the development of hydropower projects. The JVC is developing MMHEP, LMMHEP and UM2HEP as MCPs. After the collaboration, BPC has moved up from small and medium hydropower projects to large size hydropower projects with international collaborations. This is a paradigm shift in terms of scale and collaboration with international investors.

Discussions are ongoing with other foreign parties for collaboration in future projects like Mugu Karnali HEP and new projects as equity partners.

Corporate Overview

Corporate Management is responsible for the management of human resources, administrative facilities Information & Communication Technology (ICT) related support, procurement of goods, services & works, service quality, environment and occupational health and safety as per ISO standards, and security and CSR activities throughout the Company.

Human Capital

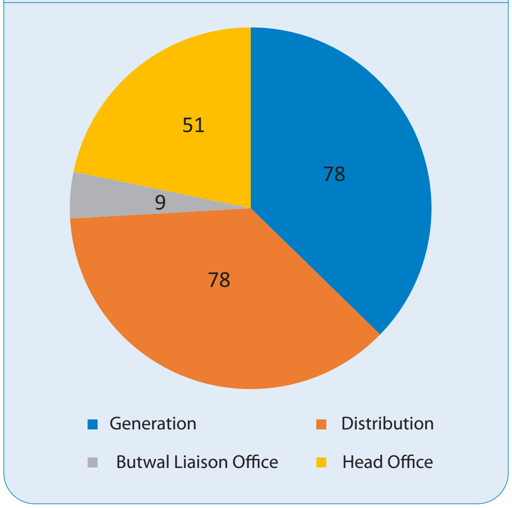
The competency of employees has made a strong foundation for Company growth. The management of BPC gives high priority for enhancement of employees' skill and knowledge. Employees' suggestions and grievances are handled timely to ensure smooth operation of business throughout the Company. This also helps in maintaining and improving the industrial relations between the employees and management. The total number of employees was 202 at the end of FY 2077/78 within the approved organization structure (excluding short term and part time contract employes).

General Administration

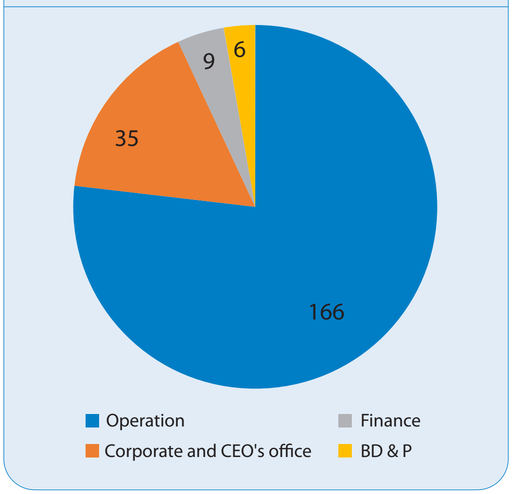
Procurement Business Unit procures goods, works, and services for the Company. The procurement strategy of the Company is to acquire necessary supplies in cost-effective manner from the list of efficient vendors who can deliver quality goods on time, abiding by purchasing terms. The strategic objectives of procurement unit are cost reduction, global sourcing, risk management, supplier management & optimization and total quality management. Procurement processes are specified in Procurement Manual, which include the processes for procurement of goods, services, works, transportation of products, performance feedback and supplier management. The procurement processes are guided by the principle of best value for money, fairness, integrity, and transparency.

Procurement Unit has been procuring spare parts of JHC and AHC after sourcing from manufacturers of various countries like India, China, and Germany. The spare parts are particularly related to electrical items required for power generation, transmission, and distribution businesses.

Activity-wise number of employees



Function-wise number of employees



Disinfection in Head Office

Information and Communication Technology (ICT) has been providing support on external and internal communications; web updates, back-ups and email requests. Environment friendly, reliable and secured data center with high availability is established with reliable network structure in head office. Optical fiber intranet connectivity between head office and site offices is in place so as to transfer and access the data to and fro and to use centralized software applications (Revenue Accounting System-RAS, Asset Management System-AMS and Inventory Management System-IMS) through VPN technology. Unified communication software is installed between head office and site offices for fast communication, video conferencing, and file sharing with improved productivity and security. It has been maintaining safe, secured and risk free working environment in ICT.

Data Center: Data center is established to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communication connections, environmental controls (e.g., air conditioning, fire suppression) and various security devices. Implementation of virtualization to minimize the numbers of physical servers, power consumption, cost and for reliability, security, less heat buildup, faster redeploy, easier backups, and better disaster recovery. BPC also has the provision of Disaster Recovery (DR) in cloud in different seismic zone for data protection, security, and backups.

Inter-communication: EPABX system is installed to make communication fast and reliable in minimal cost.

Website: BPC official website is periodically maintained to disseminate information to the stakeholders and the public.

Risk Management and Control Environment: Potential risks encountered are server attack, data hack, data corruption, fire and physical access to resources. All these are well managed through the firewall systems, accessing server through VPN, regular backup of data in multiple sources onsite/offsite, anti-virus protection of computers, datacenter equipped with fire suppression system with data center infrastructure management (DCIM) to alert through alarm, SMS and email.

Ethics and Compliance: BPC facilitates employee with computer/laptop, operating system and software tools to access the servers that are connected through network. Users are given access rights to the server business unit-wise, and ICT has been frequently reminding the staff through e-mails about the norms for accessing the data from server and opening mail so that data is not accidently disclosed or get trapped into the spammer.

Facility Management provides service support of repair & maintenance, advertisement & publicity, media handling, newspaper management, events management, material transportation, risk management, health, safety & security arrangement, vehicle management, waste management, mail handling, and conducting CSR activities. It ensures and follows up the implementation of quality, environment and OH&S policies in all the business units of the Company.

Trainings on traffic awareness, firefighting, emergency preparedness and response plan, safety & security, and first AID management were conducted in JHC, AHC and Butwal site offices during the FY 2077/78. When the entire nation was hit by COVID-19 pandemic, BPC was no exception. To ensure minimum infection by the pandemic, Facility Management has been maintaining safe working environment in the head office as well as site offices with Personal Protective Equipment (PPE) and safety equipment in place and following all the safety protocols. Almost all the employees are vaccinated. Besides, BPC has succeeded to make zero accident in the FY 2077/78. The vacant spaces of the corporate office building in Kathmandu has fully rented out.

Management Review and Responsibilities

Management Review Meetings (MRM) are held minimum once in a year as a scheduled program as cited in the IMS process manual and as required to discuss on the improvement of the businesses and IMS processes of the Company. MRM is chaired by CEO with participation of all VPs, Strategic Business Unit (SBU) heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the Management Representative (MR) of the Company. MR ensures that results of QEHMS 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. MRM-21 was held on 4 August, 2021 in the participation of all the functional heads, SBU heads, and ISO core team.

ICT Server

IMS Periodic Audits and Recertification

As per Management System Certification Agreement between DNVGL, India (Certification Body) and BPC, two periodic audits had to be performed during a 3-year audit cycle (May 2017 – May 2020). In this process, 1st IMS periodic audit was conducted on 17-23rd June, 2018 at AHC, Butwal Liaison Office and BPC Corporate Office, Kathmandu. Likewise, 2nd IMS periodic audit was conducted on 16-22th June, 2019 at JHC, Butwal Liaison Office and its corporate office, Kathmandu. The recertification audit had to be performed within the validation period of IMS i.e. May 23, 2020. Due to the outbreak of Coronavirus, physical recertification audit was not possible. Therefore, the recertification audit was conducted at HO and all sites via Microsoft teams (virtual meeting platform) from 23-29th August, 2020. Now, BPC has been re-certified with the three ISO standards. The validation period of QMS 9001:2015, and EMS 14001:2015 is till May 23, 2023. OH&S 18001:2007 has been upgraded to OH&S 45001:2018 on 7th October 2021, after the virtual transitional audit from 23-27th August 2021, the validation period of which is up to May 23, 2023.

Enterprise Risk Management

Enterprise risk management (ERM) is the Company's wide strategy to identify and prepare for hazards with project operations, Company's finances and operations. ERM includes risk identification, analysis, evaluation, control, and risk monitoring of Company businesses. All the risks of the activities of the Company related to operations and project development are identified and analyzed periodically.

Strategic risks have been assessed and managed by the Top Management, Risk Management Committee (RMC) and from the Board level. It is related to expansion, merger, new technologies and new business activities at corporate level. Tactical level risks have been assessed and managed at Business Units and Top Management level. It is related to the performance and profitability of Business Units, Divisions and Centres. Operating risks have been assessed and managed at the operational level. It is related to day to day operational activities which arise from individuals, units or handling of regular tasks or assignments.

Risks of the Company are exposed throughout the value chain. The most important risks are related to operations, financial management, project execution, operating activities, and conditions with regards to legal and tax framework. RMC provides clear direction to improve risk handling in relation to current risk exposures of the Company and future risk strategy along with the investments. Risk management is an integrated part of the governance through a risk-based system in all business areas of the Company. The Company's overall risk profile is reviewed and updated periodically by the Management and reported to RMC and the Board.

Risk Mitigation and Risk Reporting

All possible risks are identified, and analyzed as major, high, moderate, and low matrix in risk register so as to mitigate those risks. Risk Register, Risk Response Action Plan and Action Taken Status Reports are prepared, reviewed, and updated quarterly and discussed in Management meetings. Risks are avoided, accepted, reduced, and transferred considering the nature of the risks. Significant risks are reported to the RMC on quarterly basis or as and when required by the Top Management. The whole process of risk assessment and risk management strategies is reviewed by the RMC which reports to the Board on major and significant risks. The stakeholders are communicated about the major and strategic business risks and preventive mitigation measures adopted through annual report.

Risk management at early stages of project development has turned out to be an important success factor for the project. BPC has the provision of insurance coverage for all significant damages or injuries. The assets of the Company are adequately insured for each FY against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity & burglary, revenue risk (covering loss of profit) and third party liability including materials damage. BPC manages operational risk through detailed procedures for activities in all operational units. Furthermore, BPC has a comprehensive system for registering and reporting hazardous conditions, undesirable incidents, damages, and injuries. Such cases are analyzed continuously so as to prevent and/or limit any consequences, and to ensure that the causes of such incidents are followed-up and necessary mitigation measures are implemented.

Potential cyber security risks such as server attack, data, fire, and physical access to resources are managed well by keeping the firewall systems, accessing server through Virtual Private Network (VPN), regular backup of data in multiple sources onsite/offsite including cloud in different seismic zone and anti-virus protection. Further, datacenter has been equipped with fire suppression system using Data Center Infrastructure Management (DCIM) to alert through alarm, SMS and email.

1. Generation Risk

Andhikhola power house is 250 m below the ground surface-level. The powerhouse is unmanned and is being operated from the control room. The long vertical distance causes problem of signal interference/loss thus leading to plant shutdown sometimes. The effective management of spare parts is in place for prompt maintenance of the plant. Timely preventive maintenance of the plant and grid line has minimized the breakdown time thus resulting in increase in generation.

The water of Jhimruk river contains a large quantity of quartz during monsoon period. This high silt content in Jhimruk river water is the major reason for severe erosion of turbine parts during monsoon. This has enforced the plant to operate at low capacity during flood resulting in the reduction in generation. The erosion of turbine parts has further reduced turbine efficiency and increased the maintenance duration. A complete set of turbine parts and accessories that are subject to erosion have been kept as spare for overhauling of turbine in less time. Further, in-house manpower has been trained to accomplish this job.

2. Distribution Risk

BPC has been expanding its distribution area through rural electrification every year since 2047. This year, the consumer number has increased by 3.27% and energy purchase has increased by 9.53% compared to last year. However, the foremost challenge in operation and expansion of the distribution business is its sustainability. Rural electrification is a loss making activity even in operation, and the high demand of public for distribution expansion in the rural areas has further increased the loss. In order to reduce the risk of increased revenue loss, it is necessary to revise the existing distribution tariff timely and limit the expansion within project licensed areas only.

The variation of water level in Andhikhola and Jhimruk rivers is one of the major factors of variation in power generation from the plants.

3. Business and Project Development Risks

The risks associated with various stages of project development (planning, design, construction, and operations & maintenance) are categorized as technical, socio-political, financial, and legal. Technical risks are related to poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise, socio-political risks are associated with demands from local people for financial support, land acquisition & compensation, work interruptions, labor strike, intimidations, poor performance of contractors & suppliers, road blockade, pandemic etc. Financial risks are associated with price hike, time & cost overrun, fluctuations of interest rates & foreign currency exchange rates, penalties, energy deficit etc. Legal risks are delay in government approvals, licenses, PPA, connection agreement, import of materials/equipment from third countries, environmental issues and unnecessary burden on custom/duty clearances, contractor's claims and settlements etc.

Some of the social risks have been minimized by means of CSR activities, stakeholder's engagement, and maintaining public relations. Some risks which are associated with politics and socio-culture are beyond the control of the project companies. The technical and financial risks are managed internally whereas socio-political and legal risks are minimized through stakeholders' engagement and group dynamics. Some specific risks are identified and mitigation measures are planned for new projects, under-construction projects, and business operations.

From country's perspective, many under-construction projects are affected by years of delay because of COVID-19 crisis for last two years and flooding/ landslides at different times of the year. Country lockdowns, closure of factories, reduced commercial activities and domestic consumption led to reduced electricity demand. After commissioning of 456 MW Upper Tamakoshi Project, the risks of spill energy during wet months has increased significantly and NEA has the challenge to manage Cross Border sale of excess energy.

The Company is exposed to various risks as in referred to its plants that are under operation, investments in KHP and Khimti I plants and under-development projects like NHP, KAHEP, MCPs, CKHEP and MKHP. As of now, NHP, projects under MCPs, CKHEP and MKHP are being developed through separate SPVs. The physical works of KAHEP has been halted for more than two years beyond Required Commercial Operation Date (RCOD) due to financial uncertainty. All the possible and feasible options are being explored so as to revive the project and resume the construction activities. The government has been requested and regularly followed up for cooperation and support in line with the spirit of the PDA, with BPC stating its wish to complete the project with financing from local banks in local currency. Once there is a clarity on PPA, KEL will put its best effort to complete financial closure and resume construction works. This has been a huge risk to the investment that BPC has made so far for the project as well as the reputation of BPC on developing new projects.

BPC has already injected a part of equity funds for the preparatory works of MCPs. PPA of 135 MW MMHEP has been signed in NPR but there is a need to mitigate currency risks through hedging mechanism. However, the Hedging Regulation lacks clarity on cost, its sharing and other modalities. The PDA negotiation is ongoing with MOEWRI and the provisions are not in line with the requirements of international financing. Due to the delay in PDA and exchange risks sharing of PPA, the financial closure has been delayed, thus leading to loss of cash flow years. The preparatory works at site have been damaged by the heavy rainfall and floods. In addition, the cascade projects are likely to pose climate change risks like extreme rainfall, floods, landslides, Glacial Lake Outburst Floods (GLOFs), and hydrology variations.

The PPA process of LMMHEP has not progressed for last one year. Draft PPA is yet to be initialed. Management of spill energy being a challenge to NEA, apparently is slowing down the process of PPA for IPP projects. 327 MW UM-2HEP is under the process of IBN for PDA negotiations which have not started yet. The delay in concluding PDA and issuance of Generation License has led to delay in PPA process with NEA. The fee for PDA negotiation has already been deposited and investment approval has been granted. If the delay continues, the project most likely will not be able to get the benefits as declared in the recent fiscal budgets for the projects bigger than 200 MW like UM-2HEP. BPC has been experiencing challenges and risks in executing these projects mainly because of hurdle in PPA in foreign currency or lack of clarity in hedging mechanism, which is very important from the perspective of financial closure with International Financial Institutions (IFIs).

The four year of survey license period has already passed for MKHP without any clarity from Vidhyut Utpadan Company Limited (VUCL) regarding the overlapping of license area and the status of its storage project. The uncertainty in the provision related to the construction of transmission line has led to a dubitation in concluding the connection agreement with NEA, thus leading to a high risk of investment.

Due to delay in start of MCPs construction, the power sale and purchase agreement with the contractor of MCPs could not be concluded for CKHEP as construction power for the project. The project being RoR type, there is a risk of Take and Pay PPA with NEA.

Additionally, the high floods during the year and river sediment load have affected JHC causing several hours of plant shutdown. KHP was completely shut down for months due to damage of civil structures by heavy floods. The interim arrangement of payment for Khimti I is ongoing after the expiry of PPA and there is no progress on formation of new Company and restructuring of the PPA.

4. Financial Risk

The Company uses debt in addition to equity financing to meet financial obligations. The Finance department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. The Company has borrowed term-loan and operating loan thereby creating the interest rate risk. Since interest rate risk is influenced by market forces, BPC has minimal role to play in minimizing this risk. BPC has made swap arrangement to minimize the interest rate risk associated with foreign currency. The liquidity risk of BPC is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets. In order to control liquidity risk and for better working capital management, BPC has made arrangement for adequate level of overdraft facility for short term financing.

5. Price Risk

The purchase of goods is limited to the foreign currency exchange variation, particularly for the import of specific and spare parts from abroad, which is subject to market variations. There is no price risk on sale of power as the Company has fixed rate PPA with NEA.

6. Investment Risk

BPC has made equity investment in its subsidiaries and associates considering the technical and financial feasibility of those companies.

7. Other Risks

BPC's activities are influenced by framework conditions such as taxes, fees, generation, distribution, and transmission regulations as well as general terms and conditions stipulated for the energy industry. These framework conditions can influence BPC's production, costs, and revenue.

Senior Executives

Mr. Prakash Kumar Shrestha — *VP- Operations*

Mr. Pratik Man Singh Pradhan — *VP- BD&P*

Mr. Radheshyam Shrestha — *VP- Finance*

Mr. Uttar Kumar Shrestha — *CEO*

Mr. Tika Ram Bhatta — *VP- Corporate*

Mr. Ganesh P. Khanal — *Sr. Manager- BD&P*

Nyadi Headworks

Shareholders' Information

The Shareholding pattern of BPC as on end of Asadh, 2078 is as below:

S.N.	Shareholders	No. of Shares	Holding %
1	Shangri-La Energy Ltd.	16,616,291	56.30
2	Government of Nepal	2,190,692	7.42
3	IKN Nepal A.S., Norway	466,397	1.58
4	United Mission to Nepal	403,603	1.37
5	Nepal Electricity Authority	254,522	0.86
6	General Public	9,582,100	32.47
	Total	29,513,605	100%

Share Trading Information

Market response for BPC stock was normal in FY 2077/78 and much affected by the market movement of banks and other listed companies in the securities market. Quarterly key figures related to BPC shares in stock exchange for FY 2077/78 are given below:

Quarter	Traded Share (In thousands)	Traded Amount (In millions)	Number of Trades (Total Transactions)	High	Low	Closing	Average Price	Trading Day
First	2077.82	823.42	12822	433	343	401	396	64
Second	3416.28	1495.91	17691	479	384	411	438	58
Third	3437.99	1420.18	19766	465	380	425	413	59
Fourth	7820.72	3978.12	48882	590	408	506	501	52
Total	**16752.81**	**7717.63**	**99161**	**590**	**343**	**506**	**437**	**233**

All shares are being traded in NEPSE in active market. NABIL Investment Banking Limited has been working as Share Registrar of the Company from Shrawan 1, 2077. The detail of shareholders as of Ashad end, 2078 is as follows:

Share Status	No. of Shareholders	No. of Shares
Shareholders- Physical	188	2,708,031
Shareholders- Demat	68,407	26,805,574
Total	**68,595**	**29,513,605**

Corporate Social Responsibility

BPC, as a socially responsible corporate citizen, is involved in protecting the environment and supporting social upliftment. Relying on the socio-economic and environmental status of Nepal, its Corporate Social Responsibility (CSR) aims to develop appropriate social, economic, and environmental programs in its working areas.

Business decisions and operations have been integrated with economic, environmental, and social considerations. BPC endeavors to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC has been doing different activities related to socio-economic and environmental improvement programs to fulfill and meet its CSR objectives.

Various CSR activities have continuously been carried out in the FY 2077/78. The CSR activities carried out at AHC and JHC were basically focused on income generation, improved agriculture and energy techniques, training on skill development, irrigation system improvement, and environment development support programs. Additionally, the projects provided scholarships and financial support to various clubs and social organizations in the project affected areas for carrying out social activities like; road maintenance, construction and/or maintenance of irrigation canals, and operation and maintenance of irrigation system and operation of educational institutes. AHC has been supplying generation water from the headrace to irrigate about 300 hectors of land.

During the COVID-19 pandemic, BPC provided both cash and equipment support of worth NPR 5,000,000 through its projects in operation and under construction in Pyuthan, Syangja, Lamjung, Manang districts and to Dhulikhel hospital. BPC provided oxygen cylinders, safety masks, gloves, sanitizer, oximeters, and PPEs to the hospitals and communities through both the centres worth NPR 700,000 each. The Lamjung District Hospital, Besisahar where NHP is located, was supported with medical equipment worth NPR 700,000 and NPR 200,000 worth medical equipment was supported to Marsyangdi Rural Municipality. Similarly, BPC provided 20 oxygen cylinders worth NPR 700,000 to the district hospital of Manang, Chame and Nason Rural Municipality and food items in these municipalities. The Company also provided cash support of NPR 1,500,000 to Dhulikhel hospital and NPR 511,111 to IPPAN under COVID-19 management support.

Additionally, for CCTV surveillance of Buddhanagar area for the security, the Company provided LED TV set to the Kathmandu Metropolitan City-10 to be used in Buddhanagar police station.

The expense on CSR activities by the Company is more than the statutory requirement of 1% of annual profit. Annual report on CSR activities is reported to DoI as a part of compliance.

CSR expense is more than statutory requirement of

1%

of annual profit

Health, Safety & Environment

BPC always strives to conduct its business in healthy, safe, and environmentally conscious manner at its workplace and in the society where it does business through responsible management, for the prosperity of the Company.

Health, Safety and Environment (HSE) are the priority areas for BPC. BPC's endeavor towards its employees is always directed to providing fulfilling work environment within the Company. BPC considers that a good 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 facets and work related hazards in order to identify any critical areas and makes efforts towards constant improvement of work conditions, in terms of reduction of the number of work accidents, incidents, and occupational sickness. BPC has adopted an Integrated Quality, Environmental, and Occupational Health & Safety Policy. Occupational Health and Safety Manual has been prepared incorporating the statutory obligations under Labor Act, 2074 and Labor Regulation, 2075. Occupational Health and Safety Management System (OH&S 45001:2018) guideline has been implemented throughout the Company to enhance the health and safety standard. Company has also prepared and implemented the Environment Aspect Register to minimize and mitigate environmental impacts. A well-developed Safety & Emergency Preparedness Plan is communicated amongst all to cope up with emergency situations like fire, floods, landslides, earthquake, pandemic etc. to further enhance the health and safety standards in the Company.

The business units have been carrying out business activities in quality, environmental, and OH&S friendly manner. OH&S system has created awareness and assisted in managing occupational health, safety, and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system, and procedures of the Company. All the employees have been insured with Medical and Group Personal Accident (GPA) insurance policies. Staff health check-up is carried out once in every 3 years for the healthy workplace environment.

From the very beginning of Coronavirus outbreak, BPC has been aware for the safety of its employees against COVID-19 infection. Continuous awareness programs about the safety against Coronavirus have been conducted. Safety notices have been issued from time to time. Emergency Preparedness and Response Plan (ERP) and Standard Operating Plan (SOP) have been issued for implementation against Coronavirus infection. Arrangement of daily measurement of temperature of employees and visitors, record keeping of visitors, use of mask and sanitizer, hand washing, maintaining social distance are implemented at Head Office (HO) and all sites. PPE have been kept at HO and all sites to use for rescuing any employee infected by the Coronavirus. HO building and all sites are fully

disinfected time to time and arrangement for daily disinfection has been made for frequently used areas like biometric attendance machine, door handle, toilets, meeting rooms, lift etc. Despite the awareness and implementing all the precautionary protocols against Coronavirus at HO and all sites; twelve employees from the HO, one from Butwal Liaison Office, eight from JHC and ten from AHC were infected by Coronavirus during FY 2077/78.

BPC has been operating ROR hydropower projects, which is considered to be green energy, with minimal environmental issues. The impacts due to water diversion have been mitigated properly in a scientific manner. The river training works are being carried out every year to protect the farmer's land against flood in the project affected areas. Likewise, the environmental impact of tree cutting and trimming of bushes and bamboos for distribution line expansion and maintenance is being minimized through the distribution of seedlings to the local communities as per need. All wastes like damaged electromechanical parts, insulating materials, used oil, and wastes are disposed in a standard way as per ISO requirement. Controlling environmental impact is based on the prevention of pollution, which includes source reduction or elimination, process, product or service change, efficient use of resources, material and energy substitution, reuse, recovery, recycling, reclamation, or retreatment.

Certification

BPC is certified with QMS 9001:2015 (Quality Management System), EMS 14001:2015 (Environmental Management System) and OH&S 45001:2018 (Occupational Health and Safety Management System) recognized by the Certification Body, DNV GL (Det Norske Veritas), India.

BPC has been awarded for its best managed company in hydropower sector and received national best presented annual report award for 11 years from ICAN. BPC is committed to operational excellence and believes in good governance, corporate citizenship and creating value for stakeholders.

Sustainability

Sustainable development is the core objective of BPC's business and values. BPC's business decisions and operations invariably integrate economic, environmental, and social considerations to maintain the competitive edge. BPC has been carrying out series of social, environmental, and economic development activities in and around its project areas. It plans to give continuity to these activities in future in a sustainable way collaborating with the various stakeholders in the project areas so as to ensure the continuity of its businesses.

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

BPC is certified with three ISO standards: 9001:2015 Quality, 14001:2015 Environment and 45001:2018 Occupational Health and Safety (OH&S). This leads BPC's commitments towards the society, environment, and its employees. BPC has been awarded numerous other credentials that reflect its commitments to quality, environment and occupational health & safety- International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been rewarded with National Best Presented Accounts (BPA) Award in the category of General Sector for excellence in the presentation of financial statement and annual report by the Institute of Chartered Accountants of Nepal (ICAN) for 11 years.

Social Responsibility Initiatives

BPC is sensitive for the excellent social performance and situation of the people of the project areas. It conducts SIA study to set the socio-economic baseline before implementation of its projects, which helps in identifying impacts and recommending mitigation social development activities in its project area. JHC and AHC have been implementing SUP by mobilizing resources in the field of social, environmental, and economic development so as to maintain excellent social performance of the people in the project areas. Further, awareness programs and capacity building training programs have been carried out to enhance skills and knowledge enabling communities to initiate new economic activities. BPC is confident that these endeavors will help improve the quality of life and the economic status of the locals, which will ultimately help in sustainability of the projects. In recognition of Company's excellence in mitigating the environmental and social impacts from AHC and producing environment friendly hydro-energy, BPC was rewarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

Environmental Relative Initiatives

Beyond its core business, BPC is sensitive to the environmental concerns in its project areas. BPC has always kept conservation and protection of environmental resources as one of its key strategies while carrying out its business. BPC, not only provides electricity through its generation projects but also focuses on green energy and sustainable development. BPC built its Corporate Office Building based on principles 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 with healthy indoor environmental quality. As part of the environmental development program, BPC has regularly been doing plantation and maintaining the plants in the premises of office building and Dhobikhola corridor/periphery adjacent to office building. The main objective of the plantation program is to develop greenery and to protect environment of the area. For the protection of environment, BPC has prepared and implemented waste management process guideline. To control pollution, the system of regular maintenance of power plants, diesel generators, and vehicles is in place. If the construction and modification of transmission lines demand tree cutting, BPC facilitates the local communities in plantation of new plants as per the requirement. BPC has been contributing to environmental causes as per legal requirements such as IEE and EIA studies of the projects prior construction.

Environmental and Social Obligations

In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to develop and implement Environmental Management System throughout the Company to measure, control, and reduce the environmental impacts. BPC is fully compliant with various environmental protection and health & safety laws and regulations. In its constant endeavor to be fully compliant with all regulatory standards, BPC has instituted a Compliance Management System, which ensures that the Company is in full compliance to all applicable legal requirements. Prior to the implementation of new projects, potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of projects.

BPC is greatly concerned to its environmental and social obligations in hydropower development. Additionally, BPC compulsorily carries out EIA and IEE for its projects under development. The Company is also committed to CSR and takes care to address the societal, environmental, and stakeholders concerns while carrying out its business. We at BPC have been voluntarily working towards improving the quality of life of local communities where we do business. BPC has been following all the relevant government rules and regulations in context of hydropower development.

The projects have always encouraged the local people for jobs and opportunities at projects. As of today, about 70% of the locals in total are getting employment opportunities at AHC and JHC.

Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and Occupational Health & Safety Management System (QEHMS) are established, implemented, and maintained in accordance with the requirements of QMS 9001:2015, EMS 14001:2015 and OH&S 45001:2018 standards. These three standards are combined as Integrated Management System (IMS). Based on the IMS, organization's reporting system has been developed. It controls the quality of reporting system and assures timely availability of internal and external resources for uninterrupted supply of power to the local consumer and the national grid. The continual improvement of IMS is being ascertained and ensured by internal and external audits through MRM with the review of the improvement requirements in the Company processes on continual basis.

MRM-21was held on 4th August, 2021 in the presence of the functional heads, SBU heads, and ISO core team. The meeting was focused on follow-up actions, reviewed quality, HSE policies, IMS audit, customers' relation, status of safety and security, risk management, business performance, and suggested the areas of improvement.

Human Resource Accounting Information

Human Resource Accounting (HRA) Information

HRA is a process of identification, collection, and analysis of information about human resources which assists Management to plan, implement, and monitor the Company's human resource related activities in line with the Company's Vision and Goals.

In addition to optimum placement and use of human resources, HRA also plays an important role in making suitable personnel policies about carrier growth, working environment, and job satisfaction of employees. HRA is also a tool for the management to ensure equitable welfare, high morale, and motivation in the work force. Human resource development activities including identification of suitable training and exposure are also greatly facilitated by HRA.

Human Capital

The number of total employees sums up to 202 (excluding short term and part time contract employees) at the end of the FY 2077/78 within the approved organization structure are as segregated below:

Year	Manager level employees (Nos.)	Other employees (Nos.)
2077/78	19	183

The human capital for last 5 years is as mentioned below:

Fiscal year	Number of employee			Employee turn-over	Number of trainings provided
	Regular	Contract	Total		
2077/78	160	42	202	9	5
2076/77	163	30	193	4	9
2075/76	173	29	202	32	20
2074/75	203	21	224	7	24
2073/74	212	17	229	4	13

Cadre-wise Human Resources

Cadre	Cadre-wise	Gender-wise (Female)	Gender-wise (Male)	Technical	Non-technical
Management	19	1	18	10	9
Officer	24	1	23	8	16
Assistant	173	21	152	89	84
Total	216	23	193	107	109

Classification of Employee-As per Labor Act, 2074

Year	Regular	Time-based	Job-based	Part-time	Total
2077/78	160	42	7	7	216

Skill Development

HR undergoes incessant enrichment of skill and competency through various trainings and workshops. The competency of employees has made a strong foundation of the Company to grow on. Five different events including training, seminar, and workshop were attended and actively participated during the FY 2077/078 for capacity building, professional growth, and motivation of employees. 120 employees participated in various trainings like, Financial Modeling of Power Projects (Module 1 and 2), Online iExel Holistic Wellbeing, Awareness Training on Safety & Security, Emergency Preparedness and Response Plan, HR Meet 2021, and Prevention & Administration of Social & Environmental Conflicts in Hydropower Development. These trainings imparted knowledge to the participants in the field of financial modeling of power projects, disaster management, emergency action plan, safety and security, human resource management, and prevention & administration of social & environmental conflicts in hydropower development.

Distribution of 25 years long service award

Value Added Statement

The Value Added Statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower, and other resources and allocated to the stakeholders. It indicates how the benefits of the efforts of an enterprise are shared between employees, providers of finance, the state and towards the replacement and expansion. The table below shows the Value Added Statement of BPC for the last FY:

Particulars	31st Asadh, 2078		31st Asadh, 2077	
	NPR	%	NPR	%
Revenue from sales of electricity and services provided	**646,141,923**	**52.82%**	**686,706,569**	**49.32%**
Less: cost of bought in materials and services				
Operating cost	176,940,038	14.46%	94,185,131	6.76%
Value added by revenue from sales and services of electricity	**469,201,885**	**38.36%**	**592,521,438**	**42.56%**
Add: Other income including dividend income				
Dividend income	324,956,259	26.57%	744,120,794	53.44%
Finance income	58,531,646	4.79%	24,253,988	1.74%
Other income	370,541,096	30.29%	31,445,751	2.26%
Available for application	**1,223,230,886**	**100%**	**1,392,341,971**	**100%**

Application of Value Added				
Payment to employees				
Wages, salaries and other benefits	191,566,268	15.66%	191,709,187	13.77%
Payment to government				
Corporate Tax	211,884,792	17.32%	141,725,178	10.18%
Payment to financers				
Interest on borrowings	19,435,478	1.59%	31,995,706	2.30%
Dividends	670,970,450	54.85%	683,355,512	49.08%
To provide for the maintenance and expansion of the Company	**129,373,898**	**10.58%**	**343,556,388**	**24.67%**
Depreciation	99,562,756	8.14%	101,552,923	7.29%
Deferred tax credit accounts	(53,085,940)	-4.34%	(52,226,957)	-3.75%
Retained profit	(169,154,776)	-13.83%	47,928,580	3.44%
Provision for impairment loss	252,051,858	20.61%	246,301,842	17.69%
Total application	**1,223,230,886**	**100%**	**1,392,341,971**	**100%**

Highlights: No. of Employees = 202

- Net Earnings Per Employee is NPR 2.48 million
- Gross Earnings Per Employee is NPR 1.04 million
- Sales Per Employee is NPR 3.20 million
- Value Added per Employee is NPR 6.06 million

Analysis:

Payment to the employees: 15.66% of the total value added amount has been used to pay to the employees during FY 2077/78, which stands at NPR 191.57 million. This amount is 0.07% less than previous year's payment to the employees i.e. NPR 191.71 million. This marginal decrease is due to retirement of the some of the employees during FY 2077/78.

Payment to the government: 17.32% (NPR 211.88 million) of the total value added amount has been paid to the government during FY 2077/78. This amount is 49.50% more than previous year's payment to the government i.e. NPR 141.73 million. The increase is mainly due to the increase in other income, i.e., gain on sale of 77.4% shares of MMHCPL to the Chinese investors.

Payment to debt financers: 1.59% (NPR 19.44 million) of the total value added amount has been paid to debt financers during FY 2077/78. This amount is 39.26% less than previous years' payment to debt financers i.e. NPR 32.00 million. The decrease is due to reduction in borrowings.

Payment to the providers of capital: 54.85% (NPR 670.97 million) of the total value added amount has been paid to shareholders as dividend during FY 2077/78. This amount is 1.81% less than previous year's payment to shareholders i.e. NPR 683.36 million. The decrease is mainly due to decrease in distribution on cash dividend (i.e. from 18% to 15%)

Retained in the Company: 10.58% (NPR 129.37 million) of the total value added amount comprising depreciation, deferred tax, provision for impairment loss, and balance profit is retained in the Company during FY 2077/78. This amount is 62.34% less than previous years retained amount i.e. NPR 343.56 million. The decrease is mainly due to decrease in retained profit.

Andhikhola Headworks

BPC Subsidiaries

Nyadi Power House and Substation

Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL), a SPV with BPC as the majority shareholder, has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project (NHP).

The project received the generation license on February 27, 2013 and PPA was signed with NEA on May 26, 2015. A consortium of Nepalese banks with Everest bank as the lead inked financial closure agreement with NHL on February 3, 2016 and the project construction commenced on March 23, 2017. Contract Agreement was signed with EPC contractor for Civil, HM, and EM works. The project site is connected from Beshisahar to Manang road by the bridge over Marshyangdi river and access road from Thakanbeshi to project powerhouse site. All other sites of project components have been connected by roads internally. All these roads and the bridge over Marshyangdi river were constructed by NHP on its own cost.

As of now, civil, HM, and EM works have been completed. The power evacuation of the project is from Tarikuna 220 kV substation which is 7 km away from the powerhouse of NHP. However, the 220 kV Marsyangdi Corridor Transmission line and Khudi hub, which is the transmission system to be connected to NHP are under construction by NEA and will take time for completion. Hence, the temporary arrangement has been made to evacuate the power until Khudi hub is ready.

NHL has issued IPO of shares to the general public including project-affected locals after approval granted by SEBON. Due to COVID-19 pandemic and delay in transmission line construction, NHL could not carry out testing and commissioning to achieve RCOD. NHL has a revised target to start the generation of electricity from the year start 2022.

Nyadi Power House

BPC Subsidiaries

PROJECT FACT SHEET

Project type: Run-of-River (RoR) type
Project location: Lamjung District, Marshyangdi Rural Municipality-6, Near Thulobeshi and Naiche villages
Installed capacity: 30 MW
Annual energy generation: 168.5 GWh
Design discharge: 11.08 Cumec at Q40
Gross head: 334.40 m
Headrace tunnel: 3,840 m
Power evacuation: Inter-connection will be made to the Marshyangdi Corridor Transmission line under construction by NEA at Khudi Hub (currently provisioned to evacuate through 50MW Upper Marsyangdi-A transmission line under contingency plan).
Access to site: The site can be reached within 6 hours drive from Kathmandu
Powerhouse site: At Thulobeshi village, 4 km away from Thakanbeshi point at Besisahar-Chame Road
Headworks site: 5 km away from power house

Kabeli Energy Limited

Kabeli Energy Ltd. (KEL) has been established for the development of Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar District in Nepal, to build, own, operate, and transfer (BOOT) the Project as per the PDA signed with the GoN. The project has been optimized at 37.6 MW. The financial closure of the project with the World Bank, IFC, and local banks including PPA with NEA has been concluded. BPC holds 56.16% share of KEL, 27.24% being direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6 MW peaking run-of-river hydropower plant generating 205.15 GWh power with an estimated capacity factor of 60% and an estimated capital cost of US $98 million.

Under various circumstances, the construction work of KAHEP has been suspended since early 2020. The project had to face significant delay in achieving the financial closure due to the delay in finalizing on-lending mechanism to channel IDA funding and delay in finalizing loan agreement among the consortium of lenders. WB stopped loan disbursement to the project after expiry of disbursement deadline on December 31, 2019 and all physical works are under suspension since then due to financing uncertainty. All possible and feasible options are continuously being explored to revive and resume the construction of KAHEP. GoN has been requested and regularly followed up for cooperation and support in line with the spirit of the PDA. In this row, KEL has submitted a written letter to the MoEWRI and NEA stating its wish to complete the project with financing from local banks in local currency and has requested the clarity on PPA rates. As soon as there is a clarity on PPA, KEL can negotiate loan agreements and resume construction.

PROJECT FACT SHEET

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

Project location:
Headworks site-Dhuseni area of Hiliang-1 Rural Municipality of Panchthar on the left bank and Yangwarak-2 Rural Municipality of Taplejung
Powerhouse site-lies in Pinase Hiliang-2 Rural Municipality of Panchthar District

Installed capacity: 37.6 MW

Annual energy generation: 205.15 GWh

Design discharge: 37.73 m3/sec at Q40

Gross head: 116.8 m

Head race tunnel: 4,327 m

Power evacuation: Power evacuation from switchyard of KAHEP

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

Headwork site: 8 km from Mechi highway

Powerhouse site: 16 km from Mechi highway

Construction Camp at Power House Site of Kabeli-A Project.

Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) is a subsidiary of BPC. It was established in 2042 B.S. with the shareholding structure as such; BPC 51.3%, IKN Industrial AS, Norway (IKNI) 46.9%, Butwal Technical Institute 1.1% and Himal Hydro & General Construction Ltd. 0.7%.

Over the journey of 36 years of its establishment, NHE has a successful history, a distinctive culture and a shared pride in its performance. NHE has its expertise in design, manufacturing, installation, testing and commissioning of hydro-mechanical and electro-mechanical equipment (including but not limited to penstock pipe up to 100mm thick, radial gate up to 16mx20m, roller gates, slide gates, stoplogs, trashrack & trashrack cleaning machine, hydro turbine parts), EPC high voltage substations, galvanized pole, transmission towers and motorable steel bridges. In addition to, repairing/refurbishment and overhauling of power plant equipment including power transformers 132kV, 33kV, 11kV high voltage generators and motors.

NHE's major accomplishments in hydropower projects are Mistri Khola (42 MW), Chameliaya (30 MW), Lower Mai (2.4 MW), Khudi (4 MW), Siuri (5 MW), Andhikhola (9.4 MW, upgrading), Siprin (9.6 MW), Jhimruk (12 MW), Puwakhola (6.2 MW); Modi (14 MW), Chilime (20 MW), Khimti-I (60 MW), Middle Marshyangdi (70 MW), and Kali Gandaki 'A' (144 MW) hydropower projects. Besides, NHE has been involved in the EPC design and manufacturing and installation of diversion weir, gates, stoplogs, and hydraulic system of irrigation projects like Rani Jamara Kulariya and Sikta irrigation projects and Melamchi water supply project. In addition, NHE has been able to accomplish major EPC high voltage substation projects for NEA like; Chandranigahpur substation, Parwanipur substation, Yogikuti substation Butwal, MVA Butwal–Kohalpur Substations, XLPE cable laying and GIS at Chapali Substation Augmentation Kathmandu Projects, Kohalpur-Mahendranagar transmission line project; 132 kV grid substation reinforcement project, and Kulekhani-I hydro power station. NHE has been also been awarded with NEA projects like; Purbi-Chitwan substation project, Kirtipur substation under Dordi corridor project, and rehabilitation project.

Other major ongoing projects are Upper Sanjen (14.5 MW) and Sanjen (42.5 MW) HM equipment works, Nagdhunga tunnel construction for manufacturing and supply of tunnel's steel ribs, and rectification of hydraulic system of Upper Tamakoshi HEP (456 MW).

NHE: Work

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) started engineering services in hydropower development since the establishment of its parent Company BPC in 1966 as a consulting and engineering business of the Company (BPC-Hydro-consult). HCE was formed into an independent entity in 2009 by acquiring Hydroconsult Private Limited (HCPL), which was then run by PEEDA. HCPL was transformed into public limited on September 18, 2012 as HCE and is the first engineering consulting firm registered as public limited company in Nepal. BPC, along with its ongoing consulting business; transferred goodwill, technical data, and reports including intellectual property, staff, and assets of its engineering department to HCE. At present, BPC holds 100% share of HCE.

HCE provides innovative and competitive engineering consultancy services in design and project management, environmental studies, construction supervision of hydropower projects, pre and post construction/maintenance, up-gradation of hydro-projects, transmission & distribution systems, irrigation, water supply, roads, bridges, tunnels, and other infrastructural development projects. It is committed to meet the needs and satisfy the expectations of its valuable clients within and across the country through qualified, experienced, competent, and specialized human resources. HCE has had a three-and-a-half-decade experience of undertaking the pre-feasibility, feasibility, detail design, construction supervision, project management, environmental and social studies, and engineering services in post operation of hydropower projects. Recognized for its quality service; HCE stands among the best consulting companies in the hydropower sector of Nepal.

Mistri Khola HEP 42 MW

Powerhouse Area Solu Dudhkoshi 86 MW

In the FY 2020/21, the Company completed the feasibility and EIA studies of 7.9 MW Chino Khola Small HEP, 133 MW Kaligandaki Tinau Diversion Multipurpose Project, Sunsari Morang Irrigation Project and detail design and tender documentation of 87 MW Tamakoshi V HEP. HCE is in the verge of completing project management and construction supervision of 42 MW Mistri Khola HEP. In addition, HCE has completed the due diligence appraisal of 30 MW Likhu Khola HPP, 100 MW Super Trishuli HPP, and 57.3 MW Myagdi Khola HPP.

Presently, HCE is involved in various project activities and studies like; detail engineering design, tender document preparation, feasibility review, feasibility study, design review, support during construction, bill verifications, project management, construction supervision, and design support for significant number of medium and large sized hydro-projects. The company is also carrying out various project activities and studies of the projects under DoED.
Internationally, HCE is providing services for nine different hydropower projects in Western Uganda to review the previous studies, design and preparation of tender documents, support for the selection of the bidders, and construction supervision. Review and selection of bidder and supervision and project management for 5.6 MW Gura hydropower project in Kenya is carried out by HCE. In Pakistan few projects have been completed this year and few are ready to take up by the Company. It has also been involved in project management and construction supervision of Orio Mini Hydropower Project is Uganda, Kenya and Pakistan.

HCE has the provisional net profit of NPR 31.14 million resulting in the earning per share of NPR 213.57 and net worth amounting to NPR 184.18 million as of July 15, 2021.

Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns and operates the 4 MW run-of-river type Khudi Power Plant (KHP), 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 connected to the Integrated Nepal Power System (INPS) in accordance with the PPA signed with NEA.

The Khudi river is itself very unpredictable, with occurrence of frequent boulder laden flash floods during monsoon containing a huge quantity of sediment. Occurrence of high floods have been recorded previously, damaging various project structures. 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 usually during the high floods since the water is very turbid with high sediment content during these times.

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

Powerhouse 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 2,471 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 INPS at Udipur substation of NEA.

Access to site:

Powerhouse site within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the district headquarters of Lamjung District.

Headworks site-2.5 km away from powerhouse

Khudi HP Substation

The overall performance of the Company has been satisfactory this year. Operation has focused on timely repair/maintenance, river training work and flood monitoring during the monsoon season and cost minimization. The power plant could not operate normally during the year due to flood and COVID-19, resulting in heavy revenue loss. During Ashad 2078, due to heavy rain and high flood at the project area, the structures of the project were damaged leading to a complete shutdown of production unit for more than a month. The Company recorded revenue of NPR 61.74 million in FY 2077/78 with a decrease of 2.6 % from previous year. The company earned a net profit of NPR 14.99 million with an increase of 236.58 % compared to previous year.

A great care has 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.

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 provided Operation and Maintenance Management (OMM) Services to IPP power plants in the past and is currently seeking for such opportunities in the market. Moreover, BPCSL has been providing competent technical experts in hydropower projects as well as in social and environmental mitigation program implemented by IPPs.

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

BPCSL's incurred a net profit of NPR 0.77 million after tax in the FY 2077/78. The net worth of BPCSL as on 15th July, 2021 stands at NPR 16.56 million.

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector, for which the GoN and the 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 project sustainability and yielding the desired return on investment. This creates a good market opportunity for the Company which can provide O&M services to hydropower plants. BPCSL has acquired sound experience and excellent expertise in 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 the needs from construction to testing & commissioning and OMM.

As an OMM service provider, BPCSL has also been involved in preparing and implementing different social development and environmental mitigation activities in the vicinity of hydropower projects. This has eased the clients on 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.

Five Year Financial Summary

FIVE YEAR SUMMARY OF STATEMENT OF FINANCIAL POSITION

(In Thousands NPR)

Particulars	2073/74 2016/17	2074/75 2017/18	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21
ASSETS					
Non-Current Assets	4,953,923	5,391,087	7,024,001	6,525,094	5,764,916
Property, Plant and Equipment	360,154	358,484	338,771	315,804	298,844
Project Work in Progress	175,321	206,563	221,267	266,393	285,558
Intangible Assets	1,961,694	1,954,317	1,927,473	1,871,187	1,864,526
Capital Work in Progress	3,140	2,382	534	1,922	1,922
Investment in Shares	2,447,419	2,866,934	4,530,307	4,068,461	3,303,680
Other Non-current Assets	6,195	2,407	5,649	1,326	10,384
Current Assets:	415,410	2,294,505	925,269	1,341,192	1,922,492
Inventories	60,111	44,986	42,779	54,037	50,873
Trade Receivables	83,406	88,266	98,680	73,332	93,039
Cash & Bank Balance	66,276	613,202	347,103	89,688	684,861
Other Financial Assets	120,406	1,469,544	373,396	1,104,441	1,058,297
Other Current Assets	10,906	10,557	18,921	11,305	11,377
Current Tax Assets (Net)	74,305	67,950	44,390	8,389	24,045
Total	5,369,333	7,685,592	7,949,270	7,866,285	7,687,408
EQUITY & LIABILITIES:					
Equity	4,392,459	6,510,197	6,901,281	7,029,047	7,009,391
Equity Share Capital	1,810,572	2,218,672	2,440,555	2,683,882	2,951,361
Other Equity	2,581,887	4,291,525	4,460,726	4,345,165	4,058,031
Non-Current Liabilities	693,506	860,777	810,570	629,774	482,123
Grant Aid in Reserve	202,344	208,575	202,660	195,809	189,437
Borrowings	368,483	328,271	233,520	159,134	110,069
Provisions	15,126	10,034	10,939	17,526	20,055
Deferred Tax Liabilities	83,748	291,433	339,337	232,613	140,201
Other Non-Current Liabilities	23,806	22,464	24,114	24,692	22,360
Current Liabilities	283,368	314,618	237,419	207,465	195,894
Borrowings	98,546	161,155	94,989	82,764	48,882
Trade Payables	72,431	28,027	25,507	20,832	38,177
Other Financial Liabilities	36,741	29,812	38,242	22,443	23,102
Provisions	1,666	777	1,460	2,033	3,647
Other Current Liabilities	73,984	94,847	77,221	79,393	82,085
Total	5,369,333	7,685,592	7,949,270	7,866,285	7,687,408

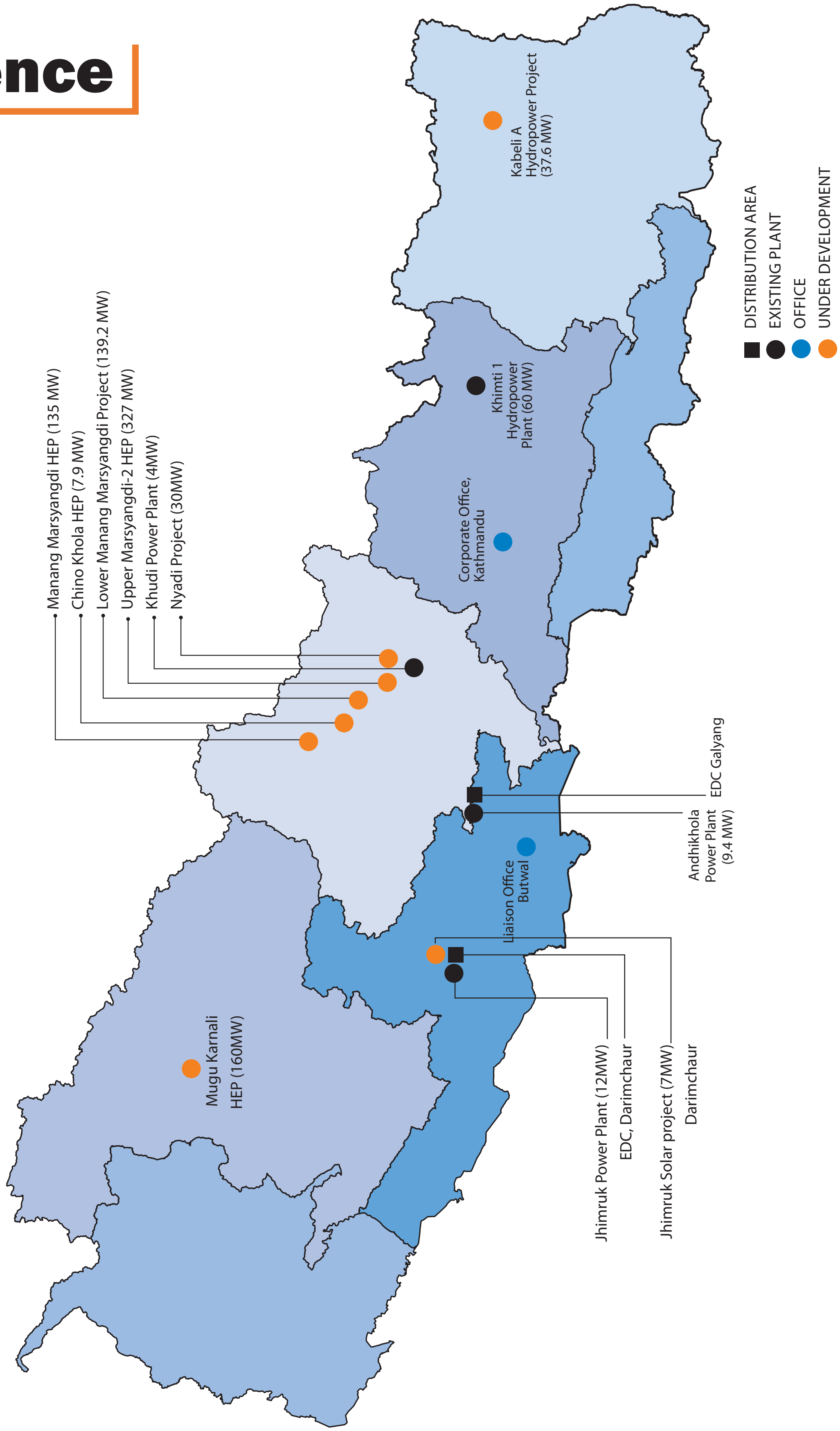
FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

(In Thousands NPR)

Particulars	2073/74 2016/17	2074/75 2017/18	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21
INCOME					
Operating Income					
Electricity Sale to NEA	478,869	477,098	486,830	483,838	423,725
Electricity Sale to Consumers	173,854	177,401	187,203	195,137	213,989
Electricity Services	10,149	11,868	9,045	7,732	8,428
Total Operating Income	**662,872**	**666,367**	**683,078**	**686,707**	**646,142**
Income from Other Sources					
Financial Income	8,964	92,597	151,540	24,254	58,532
Dividend Income	556,964	512,267	578,954	744,121	324,956
Gain (Loss) on Disposal of Assets & Stock Materials	2,647	760	6,571	147	2,837
Depreciation Being Revenue Portion of Grant Aid	6,930	7,183	7,681	7,747	7,782
Other Income Including Forex gain/loss	22,178	38,931	28,184	23,551	359,922
Total Non- Operating Income	**597,683**	**651,738**	**772,930**	**799,828**	**754,029**
Total Income	**1,260,555**	**1,318,105**	**1,456,008**	**1,486,527**	**1,400,171**

EXPENDITURE					
Generation Expenses	282,948	263,259	266,312	245,690	312,181
Distribution Expenses	97,270	110,855	137,045	119,405	124,160
Administrative Expenses	121,502	126,150	164,256	123,339	127,739
Impairment Loss in Investment	(1,073)	2,244	1,830	246,302	252,051
Finance Costs	73,855	65,393	41,628	31,996	19,435
Total Expenditure	**574,502**	**567,901**	**611,071**	**766,732**	**835,567**
Net Profit Before Tax	**686,053**	**750,204**	**844,937**	**719,795**	**564,603**
Current Tax Provision	-	19,318	46,730	40,738	115,873
Deferred Tax Expenses/Credit	18,031	28,623	37,872	(52,227)	(53,086)
Net Profit After Tax	**668,022**	**702,263**	**760,335**	**731,284**	**501,816**

Our Presence



BUTWAL POWER
COMPANY LIMITED



Financial Statements

2020-2021



bpc
BUTWAL POWER
COMPANY LIMITED

CSC & Co.
Chartered Accountants

Mahamati Bhawan
175, Gairidhara Marg, Gairidhara
PO Box: 4861, Kathmandu,Nepal
Tel: +977-1-4004580,4004581,4004582
Fax: +977-1-4004578
Email: csc@cscnepal.com
Web: www.cscnepal.com

Independent Auditor's Report

TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Butwal Power Company Limited ("the Company" or "BPCL"), which comprise the statement of financial position as at 31 Ashad 2078 (15th July 2021), the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 31 Ashad 2078 (15th July 2021), and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit financial statements of the financial year ended on 31 Ashad 2078 (15 July 2021). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matters
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 13 "Other Financial Assets" and Note 35B "Contingent Liabilities and Commitments" of the financial statements)	
Andhikhola Hydropower Project was upgraded to 9.5 MW from 5.1 MW with a Commercial Operation Date on April 5, 2015. The Company has considered an additional 4.3 MW project in Andhikhola as a separate project on the basis of a separate PPA agreement. It has calculated and paid a royalty for this new project to the Department of Electricity Development (DoED) on a revised rate @ NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. However, DoED has been claiming the additional Royalty @ NPR 1000 per installed capacity in KW and 10% of revenue from electricity sales. As done in earlier years, DoED has instructed the Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the Company during this year as well. As of 31st Ashad 2078, NEA has deducted NPR 34,498,322 from the Company's receivable balance and paid the amount to DoED. The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company's legal counsel. There's a risk that the Company's claim will not substantiate in the court and the liability on account of royalty would increase by an approximate amount of NPR 40.07 million considering the period since commencement date till Ashad end 2078. During the year, a writ petition has been filed with the Supreme Court of Nepal for the legal remedy and waiting for the decision of the Supreme Court to settle the case.	■ We have evaluated the design and operating controls in relation to compliance with applicable laws and regulations. ■ We read the summary of litigation matters provided by management and held discussions with the Company's legal counsels. ■ In respect of provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/contingent liability assessment; we reviewed the assumptions against third-party data (wherever available) and assessed the estimates against historical trends. We considered management's judgments on the level of provision/recognition of contingent liability as appropriate. **Our results** No material exceptions were noted.

Key Audit Matters	How our audit addressed the key audit matters
Impairment of Investments in Kabeli Energy Limited and Gurans Energy Limited (Refer Note 6 and 27 "Impairment loss on investment" of the financial statements)	
BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 31, 2078, BPCL has invested about NPR 71 crores in the project. This project is halted since December 2018 due to a dispute with the contractor (Zhejiang) and the agreement with the contractor has been terminated in April 2019. The Government of Nepal had also awarded the Tamor hydropower project which will reduce the capacity of the Kabeli-A project. The Government may compensate the project for such impact but if the project does not progress from the current stage, then the position to claim the compensation will be weakened. So, considering the above situation, there is significant doubt about the successful completion of the Kabeli-A project in near future. During the year, the Company has booked an additional impairment loss of 40% of net investment value (amounting to NPR 252,051,857) considering the status, future prospects, carrying value of the project, and management's best judgment. The cumulative provision for impairment for this project as on 31st Ashad 2078 is NPR 512,728,738.	▪ We evaluated the reasonableness of impairment loss booked by the Company and the key assumptions in respect of status, future prospects, and carrying value of the project. ▪ We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project. ▪ We have also assessed the adequacy of the disclosures made in the standalone financial statements. **Our results** No material exceptions were noted.
Recoverability of Advances (Refer Note 13 "Other Financial Assets (Current and Non-current)" of the financial statements)	
As on Ashad 31, 2077, an advance of NPR 21 crore to Mr. Harish Chandra Shah (Shareholder of SC Power) and NPR 1.5 crore to SC Power Pvt Ltd was outstanding as receivables in the books of BPCL. These advances were provided to purchase a share of SC Power Pvt. Ltd., the developer of 440MW Tila-I and 420MW Tila-II hydropower projects. Due to various reasons, the 337th Board meeting dated 12th April 2019 of BPCL had resolved unanimously to exit from the process of acquisition of shares of SC Power and to get reimbursement or refund of the advance. During the FY 2077/78, the party made the payment of NPR 1 crore as per the commitment letter dated 26th July 2021. As on Ashadh 31, 2078, BPCL has advance receivables outstanding at NPR. 21.5 crores. The Company has been conducting regular discussions with concerned parties through the recovery committee and has taken a commitment from the party on 3rd September 2021 to settle the entire outstanding amount within the end of Jeshta 2079.	▪ We inquired from management and those charged with governance about the recoverability status and reviewed communication received from the party. ▪ We read the summary of litigation matters provided by management and held discussions with the Company's legal counsels. ▪ We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate. **Our results** No material exceptions were noted.

OTHER INFORMATION

The management is responsible for the other information presented in the Butwal Power Company Limited's Annual Report and Accounts 2077-78 (2020-21) together with the Financial Statements. This report is expected to be made available to us after the date of this auditor's report. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Butwal Power Company Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Butwal Power Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Butwal Power Company Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor 's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

i. We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, the statement of financial position, profit or loss, other comprehensive income, changes in equity and cash flows have been prepared in accordance with the provisions of Companies Act 2063 and conform to the books of accounts of the Company and the books of accounts and records are properly maintained in accordance with the prevailing laws.
iii. During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the Company has acted deliberately contrary to the provisions of the law or caused loss or damage to the Company or misappropriated funds of the Company, nor have we been informed of any such case by the management.
iv. We have not come across any accounting fraud, so far as it appeared from our examination of the books of accounts.

PLACE: KATHMANDU
DATE: 14TH DECEMBER 2021
UDIN: 211216CA00264Ifp2R

JITENDRA KUMAR MISHRA
PARTNER
CSC & CO.
CHARTERED CCOUNTANTS

STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2078 (15 July 2021)

(in NPR)

	Note	As at 31st Ashadh 2078	As at 31st Ashadh 2077
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	298,844,047	315,804,119
Capital work-in-progress	3	1,922,130	1,922,130
Intangible assets	4	1,864,526,396	1,871,187,298
Project work-in-progress	5	285,558,459	266,393,190
Financial assets			
Investment in Subsidiaries and Associates	6	2,466,668,276	3,094,142,881
Other investments	7	837,012,180	974,318,080
Other non-current assets	12	10,384,375	1,325,939
Total Non-Current Assets		**5,764,915,863**	**6,525,093,637**
Current Assets			
Inventories	8	50,873,400	54,036,887
Financial assets			
Trade receivables	9	93,038,501	73,331,875
Cash and cash equivalents	10	649,845,846	54,679,741
Bank balance other than cash and cash equivalents	11	35,015,000	35,008,000
Other financial assets	13	1,058,297,129	1,104,440,942
Other current assets	12	11,377,166	11,304,954
Current tax assets (net)	14	24,045,122	8,389,294
Total Current Assets		**1,922,492,164**	**1,341,191,693**
Total Assets		**7,687,408,027**	**7,866,285,330**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	2,951,360,500	2,683,881,800
Other equity	16	4,058,030,604	4,345,164,805
Total Equity		**7,009,391,104**	**7,029,046,605**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	17	189,437,420	195,809,188
Financial liabilities			
Borrowings	19	110,069,324	159,133,651
Provisions	22	20,055,158	17,526,081
Deferred tax	14	140,200,827	232,613,242
Other non-current liabilities	20	22,359,958	24,691,509
Total Non-Current Liabilities		**482,122,687**	**629,773,671**
Current Liabilities			
Financial liabilities			
Borrowings	19	48,882,136	82,764,272

(in NPR)

	Note	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Trade payables	18	38,177,354	20,831,734
Other financial liabilities	21	23,102,333	22,442,979
Provisions	22	3,647,417	2,033,204
Other current liabilities	20	82,084,996	79,392,865
Total Current Liabilities		**195,894,236**	**207,465,054**
Total Liabilities		**678,016,923**	**837,238,725**
Total Equity and Liabilities		**7,687,408,027**	**7,866,285,330**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: 14 December, 2021
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2078 (15 July 2021)

(in NPR)

	Note	2077-78	2076-77
Revenue	23	646,141,923	686,706,569
Cost of Sales			
Generation Expenses	24	(312,180,903)	(245,689,657)
Distribution Expenses	25	(124,160,425)	(119,405,150)
Gross profit		**209,800,595**	**321,611,762**
Depreciation Being Revenue Portion of Grant Aid	17	7,782,134	7,747,316
Other income	28	687,715,221	767,819,229
Administrative and other operating expenses	26	(127,739,479)	(123,339,031)
Impairment loss on investment	27	(252,051,858)	(246,301,842)
Profit from Operation		**525,506,613**	**727,537,434**
Finance Income	29	58,531,646	24,253,988
Finance Costs	30	(19,435,478)	(31,995,706)
Profit Before Tax		**564,602,781**	**719,795,716**
Income Tax Expense			
Current tax	14	(115,873,047)	(40,738,581)
Deferred tax credit/charge	14	53,085,940	52,226,957
Profit for the year		**501,815,674**	**731,284,092**
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Equity instruments through other comprehensive income	7	(157,305,900)	(217,986,344)
ii. Tax relating to items that will not to be reclassified to profit or loss	14	39,326,475	54,496,586
Other comprehensive gain/(loss) for the year, net of tax		**(117,979,425)**	**(163,489,758)**
Total Comprehensive gain/(loss) for the year, net of tax		**383,836,249**	**567,794,334**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	31	17.00	24.78
Diluted Earnings per share - Rs.	31	17.00	24.78

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: 14 December, 2021
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2078 (15 July 2021)

(In NPR)

	2077-78	2076-77
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	564,602,781	719,795,716
Adjustments for:		
Depreciation on property, plant and equipment	24,029,406	26,805,140
Amortization of Intangible Assets	75,533,350	74,747,785
Depreciation Being Revenue Portion of Grant Aid	(7,782,134)	(7,747,316)
Provision for employee benefits	4,143,290	7,160,003
Provision for Bonus	20,561,832	14,689,708
Finance income	(58,531,646)	(24,253,988)
Equity Investment written off	-	-
Impairment of Intangible asset	3,652,600	4,798,854
Finance cost	19,268,852	31,107,485
Impairment loss on investment in subsidiaries and associates	252,051,858	246,301,842
Loss/ (gain) on sale of Property, plant and equipment	(2,837,277)	(147,080)
Unrealized foreign exchange difference on cash and cash equivalents	44,074	(206,884)
Working capital adjustments:		
(Increase)/ Decrease in Trade receivables	(19,706,626)	25,347,658
(Increase)/ Decrease in other financial assets	746,911,210	(731,044,590)
(Increase)/ Decrease in other assets	(9,130,648)	11,938,815
(Increase)/ Decrease in Inventories	3,163,487	(11,257,482)
Increase / (Decrease) in trade payables	17,345,620	(4,675,258)
Increase / (Decrease) in financial liabilities	659,354	(15,799,271)
Increase / (Decrease) in other current liabilities	(1,201,969)	602,944
Cash generated from operations	**1,632,777,414**	**368,164,081**
Bonus paid	(14,689,708)	(28,359,802)
Income Tax Paid	(131,528,875)	(4,738,080)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,486,558,831**	**335,066,199**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	3,675,876	351,139
(Increase)/Decrease in Project work-in-progress	(19,165,269)	(45,125,965)
(Increase)/Decrease in Investment in Fixed Deposits	(700,767,397)	-
Interest Received	58,531,646	24,253,988
(Increase)/ Decrease Investment in Subsidiaries and Associates	375,422,747	(2,442,577)
(Increase)/ Decrease in Other Investments	(20,000,000)	-
Acquisition of Property, plant and Equipment	(7,907,933)	(5,430,220)
Purchase of Intangibles	(72,525,048)	(23,261,348)
Grant Aid received/ (refunded)	1,410,366	897,072
Bank balance other than cash and cash equivalents	(7,000)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(381,332,012)**	**(50,757,911)**

	2077-78	2076-77
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of further public offering (FPO)	-	-
Issue of right share	-	-
Share Issue Cost	-	-
Borrowing (repaid) / taken (net)	(82,764,272)	(86,607,973)
Dividend paid	(407,801,325)	(424,211,849)
Interest paid	(19,451,043)	(31,111,036)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(510,016,640)**	**(541,930,858)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**595,210,179**	**(257,622,570)**
Net foreign exchange difference on cash and cash equivalents	(44,074)	206,884
CASH AND CASH EQUIVALENTS, Beginning of Year	54,679,741	312,095,427
CASH AND CASH EQUIVALENTS, End of Period	**649,845,846**	**54,679,741**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: 14 December, 2021
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2078 (15 July 2021)

(In NPR)

	Equity Share Capital	Retained earnings and reserves				Total
		Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	
Balance at 1 Shrawan 2076	2,440,555,400	1,767,535,318	148,700,000	567,279,722	1,977,210,943	**6,901,281,383**
Profit for the year	-	-	-	-	731,284,092	731,284,092
Other comprehensive income	-	-	-	(163,489,758)	-	(163,489,758)
Total comprehensive income	**-**	**-**	**-**	(163,489,758)	**731,284,092**	**567,794,334**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	243,326,400				(243,326,400)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(440,029,112)	(440,029,112)
Balance at 31st Ashadh 2077	2,683,881,800	1,767,535,318	148,700,000	403,789,964	2,025,139,523	**7,029,046,605**
Profit for the year	-	-	-	-	501,815,674	501,815,674
Other comprehensive income	-	-	-	(117,979,425)	-	(117,979,425)
Total comprehensive income	**-**	**-**	**-**	**(117,979,425)**	**501,815,674**	**383,836,249**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	267,478,700				(267,478,700)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(403,491,750)	(403,491,750)
Balance at 31st Ashadh 2078	2,951,360,500	1,767,535,318	148,700,000	285,810,539	1,855,984,747	**7,009,391,104**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
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Partner
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Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: 14 December, 2021
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2078

Note 1: Background

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

The core business of BPC includes:

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

The financial statements apply to the financial year ended 31st Ashadh 2078 (15th July 2021).

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 28th Mangsir 2078 (14th December 2021). The Board of Directors acknowledges the responsibility of preparation of financial statements.

Note 2: Significant accounting policies

2.1 BASIS OF PREPARATION AND MEASUREMENT

i. Statement of Compliance

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

ii. Standards issued by ICAN but not yet applicable at 15th July 2021

BPC has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2077-78 (2020-21). These standards include:

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

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

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

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

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

SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

iii. Basis of preparation

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in functional and presentation currency of the Company i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.

iv. Basis of measurement

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

2.2 Critical accounting estimates and judgements

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

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

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

CONTINGENCIES

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

FAIR VALUE MEASUREMENTS

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

RECOGNITION OF DEFERRED TAX ASSETS

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

2.3 Service concession arrangements

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

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

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

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

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

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

FINANCIAL ASSET MODEL:

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

INTANGIBLE ASSET MODEL:

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

INTANGIBLE ASSETS UNDER SERVICE CONCESSION ARRANGEMENT (SCA)

The Company manages concession arrangements which include power supply from its two hydro power plant viz. 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives BPC right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under intangible asset model is recognised in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

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

2.4 Property, plant and equipment

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

2.5 Other Intangible Assets

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

difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

2.6 Depreciation and Amortization

i. Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the written down method.

ii. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

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

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

iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

v. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR 10,000 per unit is charged to the profit and loss account in the year of purchase.

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

2.7 Impairment of tangible and intangible assets

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

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

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

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

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

2.8 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

2.9 Cash and cash equivalents

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

2.10 Inventories

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

2.11 Revenue recognition

I) SALE OF ELECTRICITY

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

II) OTHER ELECTRICITY SERVICES

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

III) DIVIDEND INCOME

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

IV) INTEREST INCOME

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

2.12 Foreign currency transactions

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

2.13 Employment Benefits

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

DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

DEFINED CONTRIBUTION PLAN – GRATUITY FUND

As per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution for gratuity needs to be deposited on monthly basis to the separate Social Security Fund (SSF) however, deposited with Citizen Investment Trust (CIT) instead of contribution in SSF due to lack of clear and practical guidelines in this regard. Contribution to Gratuity fund are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions.

SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS

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

2.14 Taxation

INCOME TAX

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

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to company:
Income from Manufacturing and sale of electricity: 20% (2076/77: 20%)

Income from Other services: 25% (2076/77: 25%)

DEFERRED TAX

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Tax rate for income from manufacturing and sale of electricity is 20%.

2.15 Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

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

2.16 Provisions, contingencies and commitments

i. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

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

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

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

2.17 Financial Instruments

I. FINANCIAL INSTRUMENTS

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

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

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

II. EFFECTIVE INTEREST METHOD

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

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

III. FINANCIAL ASSETS

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

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

Impairment of financial assets

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

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

IV. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts

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

De-recognition of financial liability

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

V. OFF-SETTING OF FINANCIAL INSTRUMENTS

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

VI. FAIR VALUE MEASUREMENT:

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

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

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

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

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

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

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

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

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

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

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

2.18 Leases

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

THE COMPANY AS A LESSEE

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

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

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

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

THE COMPANY AS LESSOR

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

2.19 Government grants and Grant Aid in Reserve

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

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

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

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

2.20 Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

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

2.21 Financial risk management objectives and policies

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

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: -

A. CURRENCY RISK

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

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashadh 31, 2078 and Ashadh 31, 2077: -

Particulars	Currency	Ashadh 31, 2078	Ashadh 31, 2077
Cash and bank balance	NPR	3,859,799	3,939,176
	USD	32,424	32,726

B. CREDIT RISK

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

C. INTEREST RATE RISK

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

D. LIQUIDITY RISK

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, BPC has arranged adequate level of OD facility for short term financing. The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

2.22 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company will take appropriate steps in order to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashadh, 2078 and 31st Ashadh, 2077.

2.23 Segment reporting

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

2.24 Staff bonus

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

2.25 Contingent Assets

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

2.26 Description of Subsidiaries, Associates and other equity investments

A) NEPAL HYDRO & ELECTRIC LIMITED

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the initial shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The current shareholders are BPC (51.3%), IKNI (46.9%), Butwal Technical Institute (1.1%) and Himal Hydro and General Construction

Limited (0.7%). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

B) KHUDI HYDROPOWER LIMITED

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 9.54% (13.83% in FY 2076/77) (i.e. the prevailing interest rate 7.04% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

C) BPC SERVICES LIMITED

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

D) NYADI HYDROPOWER LIMITED

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. Till the end of Asadh 2078 BPC owned 98.19% shares of NHL followed by LEDCO shareholding 1.81%. However, after the balance sheet date during first quarter of FY 2078/79, 27% of the total shares have been offloaded for the issue of IPO to employees, locals and public shareholders by maintaining the shareholding structure of BPC and LEDCO to 71.68% and 1.32% respectively. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. 99% construction of civil works, HM works, EM and transmission lines are completed as on reporting date. Declaration of COD is likely within end of Poush 2078.

E) HYDRO-CONSULT ENGINEERING LIMITED

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and also acquired 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

F) GURANS ENERGY LIMITED

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2077/78. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

G) KABELI ENERGY LIMITED (KEL)

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

(MoEWRI). The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

H) HIMAL POWER LIMITED (HPL)

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

I) HYDRO LAB PRIVATE LIMITED

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

J) S.C.I.G. INTERNATIONAL NEPAL HYDRO JOINT DEVELOPMENT COMPANY PRIVATE LIMITED

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

K) MANANG MARSYANGDI HYDROPOWER COMPANY PVT. LTD.

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

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

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. on 26th March 2019 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. 77.6% of the shares held by BPC has been divested to three Chinese Companies namely Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) and transferred them the shares on 28th April 2021. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. The process of obtaining approval of PDA of MMHCPL is in progress.

L) HIMTAL HYDROPOWER COMPANY PVT. LTD.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001 under Companies Act 2063, is promoted by GMR Energy

Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marshyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contract address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up of the project.

BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation.

M) MARSYANGDI TRANSMISSION COMPANY PVT. LTD. (MTCL)

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2078

Note no: 3

(In NPR)

Property, plant and equipment:

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 1st Shrawan 2076	48,515,535	263,179,084	60,459,054	24,989,447	2,411,964	41,194,434	15,929,848	533,925	**457,213,291**
Additions	-	273,234	1,210,541	94,420	-	657,000	1,806,820	1,388,205	**5,430,220**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(361,568)	(107,221)	(32,488)	-	(320,527)	-	**(821,804)**
Balance at 31st Ashadh 2077	**48,515,535**	**263,452,318**	**61,308,027**	**24,976,646**	**2,379,476**	**41,851,434**	**17,416,141**	**1,922,130**	**461,821,707**
Additions	-	-	4,857,679	104,104	1,426,162	222,000	1,297,988	-	**7,907,933**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(2,095,714)	(233,963)	(39,712)	(417,349)	(1,070,695)	-	**(3,857,433)**
Balance at 31st Ashadh 2078	**48,515,535**	**263,452,318**	**64,069,992**	**24,846,787**	**3,765,926**	**41,656,085**	**17,643,434**	**1,922,130**	**465,872,207**
Accumulated depreciation									
Balance at 1st Shrawan 2076	-	40,527,841	36,319,194	15,994,969	1,491,099	14,623,220	8,951,740	-	**117,908,063**
Charge for the year	-	11,111,221	5,953,089	2,336,567	265,489	5,362,144	1,776,630	-	**26,805,140**
Disposals	-	-	(273,430)	(81,777)	(18,073)	-	(244,465)	-	**(617,745)**
Balance at 31st Ashadh 2077	**-**	**51,639,062**	**41,998,853**	**18,249,759**	**1,738,515**	**19,985,364**	**10,483,905**	**-**	**144,095,458**
Charge for the year	-	10,563,557	5,181,676	1,776,767	284,336	4,385,523	1,837,547	-	**24,029,406**
Disposals	-	-	(1,643,189)	(192,322)	(24,735)	(297,464)	(861,124)	-	**(3,018,834)**
Balance at 31st Ashadh 2078	**-**	**62,202,619**	**45,537,340**	**19,834,204**	**1,998,116**	**24,073,423**	**11,460,328**	**-**	**165,106,030**
Net book value									
At 1st Shrawan 2076	**48,515,535**	**222,651,243**	**24,139,860**	**8,994,478**	**920,865**	**26,571,214**	**6,978,108**	**533,925**	**339,305,228**
At 31st Ashadh 2077	**48,515,535**	**211,813,256**	**19,309,174**	**6,726,887**	**640,961**	**21,866,070**	**6,932,236**	**1,922,130**	**317,726,249**
At 31st Ashadh 2078	**48,515,535**	**201,249,699**	**18,532,652**	**5,012,583**	**1,767,810**	**17,582,662**	**6,183,106**	**1,922,130**	**300,766,177**

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

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

Note no: 4 *(In NPR)*

Intangible assets:

	Computer Software	Service Concession Arrangement	Total
Balance at Shrawan 1, 2075	2,920,492	2,205,078,180	**2,207,998,672**
Additions - Externally acquired	95,112	23,166,236	**23,261,348**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(2,040,686)	(5,602,209)	**(7,642,895)**
Balance at 31st Ashadh 2077	**974,918**	**2,222,642,207**	**2,223,617,125**
Additions - Externally acquired	1,528,890	70,996,158	**72,525,048**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(840,257)	(3,927,583)	**(4,767,840)**
Balance at 31st Ashadh 2078	**1,663,551**	**2,289,710,782**	**2,291,374,333**
Amortization			
Balance at 1st Shrawan 2076	2,146,439	278,379,644	**280,526,083**
Charge for the year	605,250	74,142,535	**74,747,785**
Adjustment during the year	(2,040,686)	(803,355)	**(2,844,041)**
Balance at 31st Ashadh 2077	711,003	351,718,824	**352,429,827**
Charge for the year	502,739	75,030,611	**75,533,350**
Adjustment during the year	(840,257)	(274,983)	**(1,115,240)**
Balance at 31st Ashadh 2078	**373,485**	**426,474,452**	**426,847,937**
Net book value			
At 1st Shrawan 2076	774,053	1,926,698,536	**1,927,472,589**
At 31st Ashadh 2077	263,915	1,870,923,383	**1,871,187,298**
At 31st Ashadh 2078	1,290,066	1,863,236,330	**1,864,526,396**

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

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

Note no: 5

Project work-in-progress

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
	At cost	At cost
Chino Khola SHP	30,983,674	27,856,900
Lower Manang Marshyangdi HEP	198,929,729	194,278,484
Mugu Karnali HEP	55,573,356	44,257,806
Solar Project at Jhimruk Area (7 MW)	71,700	-
Total	**285,558,459**	**266,393,190**

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

Note no: 6

Investment in subsidiaries and associates

(in NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at cost				
Investment in Subsidiary Companies				
"Nepal Hydro & Electric Limited (Equity Shares of NPR 100 each fully paid up)"	715,800	71,580,000	715,800	71,580,000
"Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	504,000	50,400,000	504,000	50,400,000
Khudi Hydropower Limited (Preference Shares of NPR 100 each fully paid up)	576,000	57,600,000	576,000	57,600,000
"BPC Services Limited (Equity Shares of NPR 100 each fully paid up)"	100,000	10,000,000	100,000	10,000,000
"Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	10,751,453	1,075,145,300	10,751,453	1,075,145,300
"Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)"	117,785	11,778,500	117,785	11,778,500
Investment in Associate Companies				
"Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)"	3,319,836	331,983,600	3,319,836	331,983,600
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	296,686,000	2,966,860	296,686,000
"Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)"	-	1,260,044	-	1,260,044
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	777,902,830	601,300	777,902,830
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,346,245	6,406	10,346,245
Manang Marsyangdi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up). Refer note 2.26 (k) for details	198,455	126,756,282	885,960	566,416,367
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	93,520,876	3,125,439	93,520,876
Advance towards share capital including incidental cost:				
SCIG Int'l Nepal Hydro Joint Venture Development Co. Pvt. Ltd.	-	44,000,000	-	-
Gurans Energy Limited	-	200,000	-	200,000
Hydro-Consult Engineering Limited	-	7,501,337	-	-
Manang Marsyangdi Hydropower Company Pvt. Ltd.	-	12,736,000	-	-
Gross Investment at Cost (A)	**22,983,334**	**2,979,397,014**	**23,670,839**	**3,354,819,762**
Less: Provision for impairment loss				
Gurans Energy Limited		(274,371,902)		(141,498,463)
Kabeli Energy Limited		(238,356,836)		(119,178,418)
Total Provision (B)		**(512,728,738)**		**(260,676,881)**
Net Investment at cost less impairment (A+B)		**2,466,668,276**		**3,094,142,881**

a. Provision for impairment loss was made in proportion of BPC's share investments in subsidiaries and associates as per the latest available financial statements. This year provision for impairment loss made in Kabeli Energy Limited is NPR 119,178,418 and NPR 132,873,440 in Gurans Energy Limited. During the current year, the additional Provision for impairment loss was made at 40% of investment value as per management's best estimate.

Note no: 7

Other investments

(in NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)	2,978,502	792,758,372	2,978,502	954,961,138
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	24,253,808	10,000	19,356,942
Total Investment at Fair Value through Other Comprehensive Income	**2,988,502**	**817,012,180**	**2,988,502**	**974,318,080**
Advance towards share capital including incidental cost: Nepal Power Exchange Ltd.	-	20,000,000	-	-
Total other investments	**2,988,502**	**837,012,180**	**2,988,502**	**974,318,080**

Note no: 8

(In NPR)

Inventories

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
General Stock/Office Supplies/Consumer Service Items	8,860,772	3,685,835
Stock of Electric Goods	7,536,857	6,180,576
T/L & D/L Stock	6,084,793	12,965,976
Other engineering inventories and spare parts	28,390,978	31,204,500
Total	**50,873,400**	**54,036,887**

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

Note no: 9

Trade receivables

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Nepal Electricity Authority	57,650,102	50,427,893
Local Consumers	35,388,399	22,903,982
Total	**93,038,501**	**73,331,875**

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

Note no: 10

Cash and cash equivalents

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Balances with banks		
Local currency account		
In current accounts	90,965,851	40,764,891
In call accounts	4,771,136	9,077,817
In deposits accounts (Original maturity less than 3 months)	550,000,000	-
Convertible currencies account		
In current accounts	2,685,395	2,705,269
In call accounts	1,174,404	1,233,907
Cash in hand	249,060	897,857
Total	**649,845,846**	**54,679,741**

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

Note no: 11 *(In NPR)*

Bank balance other than cash and cash equivalents

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Balances with Bank		
In deposit account	35,000,000	35,000,000
Embarked balance with bank		
Margin money	15,000	8,000
Total	**35,015,000**	**35,008,000**

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

Note no: 12

Other assets (Current and Non-current)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-current	Current	Non-current
Capital advance	-	10,384,375	-	1,325,939
Prepaid Expenses	11,377,166	-	11,304,954	-
Gratuity Fund Surplus	-	-	-	-
Total	**11,377,166**	**10,384,375**	**11,304,954**	**1,325,939**

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

Note no: 13

Other financial assets (Current and Non-current)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-current	Current	Non-current
Deposit (Others)	527,888	-	518,968	-
Advances to Staff	387,707	-	271,415	-
Receivables from Employee Welfare Fund	9,301,855	-	9,301,855	-
Receivables from Harish Chandra Shah	200,000,000	-	210,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Dividend receivable from subsidiaries and associates	16,705,060	-	755,790,547	-
Interest receivable from subsidiaries and associates	79,190,659	-	79,190,659	-
Investment in Fixed Deposit	700,767,397	-	-	-
Other receivables from subsidiaries and associates	-	-	6,736,236	-
Other receivables from Citizen Investment Trust	-	-	1,408,418	-
Other receivables from Department of Electricity Development (DoED)	34,498,322	-	25,088,251	-
Other receivables	1,918,241	-	1,134,593	-
Total	**1,058,297,129**	**-**	**1,104,440,942**	**-**

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

(In NPR)

Note no: 14

INCOME TAXES

A. Tax expense recognised in the Statement of Profit and Loss	Year ended 31 Ashadh, 2078	Year ended 31 Ashadh, 2077
Current tax expenses		
Current tax on profits for the year	115,873,047	40,738,581
Adjustments for under provision in prior periods	-	-
Deferred tax credit/charge		
Origination and reversal of temporary differences	(53,085,940)	(52,226,957)
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in Statement of Profit or Loss	**62,787,107**	**(11,488,376)**

B. Tax expense recognised in Other comprehensive income	Year ended 31 Ashadh, 2078	Year ended 31 Ashadh, 2077
Deferred tax		
Origination and reversal of temporary differences	(39,326,475)	(54,496,586)
Adjustments/(credits) related to previous years - (net)	-	-
Income tax charged to OCI	**(39,326,475)**	**(54,496,586)**

C. Current tax asset / (liability) -net:	Year ended 31 Ashadh, 2078	Year ended 31 Ashadh, 2077
Advance Income Tax	139,918,169	49,127,875
Less: Income Tax Liability	(115,873,047)	(40,738,581)
Total	**24,045,122**	**8,389,294**

D. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashadh, 2078			Year ended 31 Ashadh, 2077		
	Hydro	Other source	Total	Hydro	Other source	Total
Accounting Profit/ (Loss) before income tax	143,446,176	421,156,605	564,602,781	210,253,781	509,541,934	719,795,715
Enacted tax rate	20%	25%		20%	25%	
Computed tax expense	**28,689,235**	**105,289,151**	**133,978,386**	**42,050,756**	**127,385,484**	**169,436,240**
Differences due to:						
Tax effect due to non taxable income	-	(81,239,065)	(81,239,065)	-	(186,081,920)	(186,081,920)
Effect due to non deductible expenses	4,810,046	67,471,404	72,281,450	4,837,681	64,365,210	69,202,891
Tax effect due to difference in depreciation rate	(9,037,356)	(110,368)	(9,147,724)	(11,812,226)	(6,404)	(11,818,630)
Current tax on profits for the year	**24,461,925**	**91,411,122**	**115,873,047**	**35,076,211**	**5,662,370**	**40,738,581**

(In NPR)

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2077 and 31 Ashadh, 2078:				
i. Movement during the year ended 31 Ashadh, 2077	**"As at 1 Shrawan, 2076"**	**Credit/(charge) in the Statement of Profit and Loss**	**Credit/(charge) in Other Comprehensive Income**	**"As at 31 Ashadh, 2077"**
Deferred tax assets/(liabilities)				
Provision for leave encashment	2,664,158	1,472,810	-	4,136,968
Provision for loss on investment	3,593,760	61,575,460	-	65,169,220
Depreciation and Amortisation	(156,620,619)	(10,820,603)	-	(167,441,222)
Investment in equity instrument	(189,093,241)	-	54,496,586	(134,596,655)
Amortisation cost of term loan	119,157	(710)		118,447
Total	**(339,336,785)**	**52,226,957**	**54,496,586**	**(232,613,242)**

ii. Movement during the year ended 31 Ashadh, 2078	As at 1 Shrawan, 2077	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
Deferred tax assets/(liabilities)				
Provision for leave encashment	4,136,968	902,787	-	5,039,755
Provision for loss on investment	65,169,220	63,012,965	-	128,182,185
Depreciation and Amortisation	(167,441,222)	(10,793,374)	-	(178,234,596)
Investment in equity instrument	(134,596,655)	-	39,326,475	(95,270,180)
Amortisation cost of term loan	118,447	(36,438)	-	82,009
Total	**(232,613,242)**	**53,085,940**	**39,326,475**	**(140,200,827)**

Note no: 15

Equity Share Capital

Particulars	As at 31st Ashadh, 2078		As at 31st Ashadh, 2077	
	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares				
Authorized				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued				
Equity Shares of Rs. 100 each with voting rights	29,513,605	2,951,360,500	26,838,818	2,683,881,800
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	29,513,605	2,951,360,500	26,838,818	2,683,881,800
	29,513,605	**2,951,360,500**	**26,838,818**	**2,683,881,800**

B. Reconciliation of the number of shares outstanding at the beginning and end of the year *(In NPR)*

Particulars	As at 31st Ashadh, 2078	As at 31st Ashadh, 2077
	No. of Shares	No. of Shares
Balance as at the beginning of the year	26,838,818	24,405,554
Add: Issue of bonus share during the year	2,674,787	2,433,264
Balance as at end of the year	**29,513,605**	**26,838,818**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh, 2078		As at 31st Ashadh, 2077	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	16,616,291	56.30%	15,105,719	56.28%
Government of Nepal	2,190,692	7.42%	1,991,538	7.42%
IKN Nepal A.S., Norway	466,397	1.58%	423,997	1.58%
United Mission to Nepal	403,603	1.37%	366,912	1.37%
Nepal Electricity Authority	254,522	0.86%	231,383	0.86%
General Public Shareholders				
- NMB Bank Ltd.	-	0.00%	513,359	1.91%
- Kamana Sewa Bikas Bank Ltd.	-	0.00%	356,525	1.33%
- Other General Public shareholders	9,582,100	32.47%	7,849,385	29.24%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 31st Ashadh, 2078	As at 31st Ashadh, 2077
Declared and approved for during the year:		
"Dividends on ordinary shares: Dividends on ordinary shares: Final dividend for 2076-77: NPR. 15 per share (2075-76: NPR. 18 per share)	403,491,750	440,029,112
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2077-78: Cash dividend NPR 10 per share and stock dividend NPR 10 per share. (2076-77: cash dividend NPR 15 per share and stock dividend NPR 10 per share)		403,491,750

Note no: 16

Other equity

(In NPR)

	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2076	1,767,535,318	148,700,000	567,279,722	1,977,210,943	**4,460,725,983**
Profit for the year	-	-	-	731,284,092	**731,284,092**
Other comprehensive income	-	-	(163,489,758)	-	**(163,489,758)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share	-	-	-	(243,326,400)	**(243,326,400)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders		-	-	(440,029,112)	**(440,029,112)**
Balance at 31st Ashadh 2077	1,767,535,318	148,700,000	403,789,964	2,025,139,523	**4,345,164,805**
Profit for the year	-	-	-	501,815,674	**501,815,674**
Other comprehensive income	-	-	(117,979,425)	-	**(117,979,425)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share				(267,478,700)	**(267,478,700)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders	-	-	-	(403,491,750)	**(403,491,750)**
Balance at 31st Ashadh 2078	1,767,535,318	148,700,000	285,810,539	1,855,984,747	**4,058,030,604**

Note no: 17

Grant aid in reserve

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Closing balance	Amortization for the year	Closing balance	Amortization for the year
Name of Grantors				
NORAD	8,135,610	328,484	8,464,094	328,484
UMN PCS	16,259,473	673,931	16,933,404	673,931
USAID	9,181,017	382,724	9,563,740	382,724
REGDAN	9,972,627	414,375	10,387,002	414,375
JRP	4,948,261	206,805	5,155,066	206,805
REEP	66,666,329	2,773,849	69,440,177	2,773,849
Local VDC/Community	74,274,103	3,001,966	75,865,705	2,967,148
Total	**189,437,420**	**7,782,134**	**195,809,188**	**7,747,316**

Note no: 18

Trade payables

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Trade payables	38,177,354	-	20,831,734	-
Total	**38,177,354**	**-**	**20,831,734**	**-**

Note no: 19

Borrowings

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	48,882,136	110,069,324	82,764,272	159,133,651
Total	**48,882,136**	**110,069,324**	**82,764,272**	**159,133,651**

1) The company has entered into arrangement for term loan with International Financial Corporation (IFC). The loan is secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project. All these assets are classified as "Service Concession Arrangement Intangibles".

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

3) Short term loan and overdraft facility is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project.

4) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
2-3 Years	30,000,000	63,882,136
4-5 Years	30,000,000	30,000,000
5-10 Years	49,659,280	64,659,280
Total	**109,659,280**	**158,541,416**

Note no: 20

Other liabilities (current and non-current)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	22,359,958	920,739	24,691,509
Dividend Payable	50,803,247	-	55,112,822	-
Statutory dues	7,777,536	-	7,113,990	-
VAT Payable (Net)	(1,165)	-	150,944	-
Welfare Fund Clearing Account	2,022,584	-	1,404,662	-
Bonus payable	20,561,832	-	14,689,708	-
Total	**82,084,996**	**22,359,958**	**79,392,865**	**24,691,509**

Note no: 21

Other Financial Liabilities

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	10,109,891	-	10,829,976	-
Refundable Deposits of Parties	1,697,725	-	1,230,648	-
Retention Payable	2,688,112	-	2,790,604	-
Royalty Payable	5,320,971	-	4,426,295	-
Other Payable	3,285,634	-	3,165,456	-
Total	**23,102,333**	**-**	**22,442,979**	**-**

Note no: 22

Provisions (current and non-current)

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Provision for leave encashment	3,647,417	20,055,158	2,033,204	17,526,081
Total	**3,647,417**	**20,055,158**	**2,033,204**	**17,526,081**

Note no: 23

Revenue

Particulars	2077-78	2076-77
Electricity Sale to NEA		
Electricity Sale	437,727,966	486,127,493
Short supply charges	(14,003,309)	(2,289,330)
	423,724,657	**483,838,163**
Electricity Sale to Consumers		
Metered Consumers	176,539,025	162,623,259
Unmetered Consumers	665,833	767,818
Industrial Consumers	49,602,941	43,077,932
UO Rebate	(12,818,868)	(11,332,438)
	213,988,931	**195,136,571**
Electricity Services		
Fee and Charges	1,669,641	1,305,775
Sale of Meter/Cutout & Accessories	6,758,694	6,426,060
	8,428,335	**7,731,835**
Total	**646,141,923**	**686,706,569**

Note no: 24

Generation Expenses

Particulars	2077-78	2076-77
Electricity Purchase	47,292,306	20,811,206
Salaries and other employee cost	54,731,757	54,597,568
Contribution to Provident and Gratuity Fund	4,695,031	4,647,880
Staff Bonus	6,783,424	5,028,098
Environment, Community & Mitigation	23,205,336	7,356,101
Donation expenses	491,200	556,200
Repair and Maintenance	42,327,061	16,800,741
Vehicle running cost*	(164,989)	(216,621)
Depreciation	2,053,319	2,174,235
Amortisation of Intangible Assets - SCA	57,167,547	56,917,849
Royalty	54,711,352	60,504,277
Insurance	7,946,813	6,979,373
Safety and Security	3,230,304	2,935,126
Bad Debts	2,500	
Assets written off	98,879	77,308
Miscellaneous Expenses	7,609,063	6,520,316
Total	**312,180,903**	**245,689,657**

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

Note no: 25
Distribution Expenses

Particulars	2077-78	2076-77
Cost of sale of Meter/Cutout & Accessories	4,083,867	3,481,342
Salaries and other employee cost	46,675,774	46,209,622
Contribution to Provident and Gratuity Fund	4,568,371	4,437,699
Staff Bonus	6,822,484	4,725,286
Environment, Community & Mitigation	-	32,055
Donation expenses	14,800	38,800
Repair and Maintenance	7,265,470	8,279,028
Vehicle running cost	381,850	406,389
Depreciation	2,078,557	2,361,086
Amortisation of Intangible Assets - SCA	17,849,528	17,211,149
Royalty	22,680,780	20,646,900
Insurance	407,206	542,690
Safety and Security	714,048	714,048
Bad Debts	230,855	
Assets written off	97,108	71,943
Miscellaneous Expenses	10,289,727	10,247,113
Total	**124,160,425**	**119,405,150**

Note no: 26
Administrative and other operating expenses *(In NPR)*

Particulars	2077-78	2076-77
Salaries and other employee cost	54,672,395	52,915,169
Contribution to Provident and Gratuity Fund	4,488,194	12,204,832
Staff Bonus	6,955,924	4,936,324
Staff Welfare	1,172,914	2,006,709
Advertisement and business promotion	232,618	272,404
AGM and Board Expenses	3,714,018	3,416,588
Audit Fee and Expenses	2,103,944	1,361,949
Communication Expenses	2,290,191	2,183,203
Depreciation and amortisation	20,413,805	22,888,604
Environment, Community & Mitigation	59,680	159,800
Gift and Donation	4,936,318	111,882
Hospitality and Refreshment	237,622	405,262
Insurance	1,388,233	1,436,245
Safety and Security	2,142,132	2,404,419
Legal and professional Expenses	3,577,200	2,863,878
Office running cost	4,215,787	4,046,392
Printing and Stationery	1,629,755	1,609,566
Rates and Taxes	1,265,250	1,437,148
Rent	-	-
Repair and Maintenance	5,279,046	4,999,325
Training and Development	134,544	169,265
Travelling expenses	1,005,524	1,083,021
Vehicle running cost	57,784	203,769
Bad Debts	6,736,236	-
Assets Written off	271,030	54,808
Equity Investment written off	-	-
Miscellaneous Expenses	4,520,496	5,321,560
Overhead Charged to Projects	(5,761,161)	(5,153,091)
Total	**127,739,479**	**123,339,031**

a. Detail of Audit Fee and related expenses

Particulars	2077-78	2076-77
External Audit	452,000	452,000
Other assurance services (includes out of pocket expenses of external audit)	129,754	298,313
Internal Audit (including out of pocket expenses)	803,088	610,282
ISO Audit	719,102	1,354
Total	**2,103,944**	**1,361,949**

Note no: 27

Impairment loss on investment *(In NPR)*

Particulars	2077-78	2076-77
Gurans Energy Limited	(132,873,440)	(127,123,424)
Kabeli Energy Limited	(119,178,418)	(119,178,418)
Total	**(252,051,858)**	**(246,301,842)**

Refer Note 6 for details of Impairment

Note no: 28

Other Income

Particulars	2077-78	2076-77
Dividend income	324,956,259	744,120,794
Income from Other Sources	342,666,945	7,258,778
House Rent	13,817,044	13,549,706
Gain / (Loss) on disposal of assets and inventories	2,837,277	147,080
Insurance Claim received on Loss of Assets	-	2,691,900
Foreign Currency Exchange Gain/(Loss)	3,437,696	50,971
Total	**687,715,221**	**767,819,229**

a. Detail of Dividend income	2077-78	2076-77
Name of Company		
Himal Power Limited	318,242,514	739,085,486
Hydro-Consult Engineering Limited	6,713,745	5,035,308
Total	**324,956,259**	**744,120,794**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2077-78	2076-77
- On account of term loan with IFC	(746,057)	(317,574)
- On account of HPL dividend	-	161,661
- On account of Revaluation of different foreign currency bank accounts	(44,074)	206,884
- On account of MM Project	4,227,827	-
Total	**3,437,696**	**50,971**

Note no: 29

Finance income

Particulars	2077-78	2076-77
Interest income	58,531,646	24,253,988
Total	**58,531,646**	**24,253,988**

Note no: 30

Finance Costs

(In NPR)

Particulars	2077-78	2076-77
Interest Expenses	19,451,043	31,111,036
Other finance cost	(182,191)	(3,551)
Bank Charges	166,626	888,221
Total	**19,435,478**	**31,995,706**

Note: 31

EARNINGS PER SHARE

Particulars	2077-78	2076-77
Profit for the year	501,815,674	731,284,092
Weighted average number of equity shares outstanding	29,513,605	29,513,605
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2076-77 Restated]"	**17.00**	**24.78**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	29,513,605	29,513,605
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2076-77 Restated]	**17.00**	**24.78**

Note no: 32

Employee benefits expenses, Depreciation and Amortisation included in the statement of profit or loss:

Particulars	2077-78	2076-77
Employee benefit expenses		
Salary	80,608,524	78,305,172
Allowances	59,202,851	57,172,161
Provident Fund	7,595,286	7,497,206
Gratuity	6,156,310	13,793,205
Insurance	936,952	780,478
Leave Encashment	15,331,599	17,464,548
Staff Welfare	1,172,914	2,006,709
Staff Bonus	20,561,832	14,689,708
Total	**191,566,268**	**191,709,187**
Depreciation and Amortization		
Depreciation of Property, Plant and Equipment	24,029,406	26,805,140
Amortization of Intangibles Asset - Software	502,739	605,250
Amortization of Intangibles Asset - Service Concession Arrangement	75,030,611	74,142,535
Less: Depreciation being Revenue Portion of Grant Aid	(7,782,134)	(7,747,316)
Total	**91,780,622**	**93,805,609**

Note no: 33

Financial Instruments: Classifications and fair value measurements

A. Fair value measurements

(In NPR)

Particulars	Fair value		"Fair value hierarchy"	" Valuation technique(s) and key input(s) "
	As at 31st Ashadh 2078	As at 31st Ashadh 2077		
Financial assets :				
Investment in equity instruments of Himal Power Limited	792,758,372	954,961,138	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Investment in equity instruments of Hydro Lab (P) Limited	24,253,808	19,356,942	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Note no: 34

RELATED PARTY DISCLOSURES

(a) Relationship

The company is controlled by Shangri-La Energy Ltd which owns 56.30% of the company's shares.

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

(b) Those charged with governance

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

Name	Designation
I) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director

(In NPR)

Name	Designation
v) Mr. Raju Maharjan*	Director
vi) Dr. Sandip Shah	Director
vii) Mr. Dinesh Humagain	Director
viii) Mr.Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

* Ministry of Energy, Water Resources and Irrigation designated Mr. Raju Maharjan, Senior Divisional Engineer, as a Director of the Company in place of Mr. Sandip Kumar Dev, Joint Secretary.

The following provides expenses incurred for those charged with governance of BPC:

Nature of Expense	Current year	Previous year
Meeting Allowances	1,860,000	1,584,000
Telephone, Mobile and Newspaper / Magazines	1,314,000	911,000

(c) Transactions with key management personnel

Key Management personnel includes:

I) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Short-term employee benefits	8,767,642	10,118,239
	8,767,642	**10,118,239**

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	575,622	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	185,120	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	1,253,170	-	(39,025)	-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	15,283,620	15,516,753	(2,203,475)	(62,360)
	Reimbursement of rent and utilities	1,763	-	-	-
	Advance given	1,835,849	1,289,488	-	-
Khudi Hydropower Limited	Reimbursement of rent and utilities	-	31,805	-	-
	Dividend Receivable	-	-	16,705,060	16,705,060
BPC Services Limited	Reimbursement of rent and utilities	66,172	63,705	-	-
	Purchase	28,409	33,900	-	(2,787)
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	1,038,599	964,342	-	-
	Disbursement of convertible loan	-	-	-	-
Hydro-Consult Engineering Limited	Purchase	6,582,199	6,403,733	-	-
	Reimbursement of rent and utilities	5,350,995	5,079,690	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	1,240,451	1,848,666	-	-

Note : 35

Contingent Liabilities and commitments

A. Corporate Guarantee *(In NPR)*

S.no.	Party Name	Purpose	Amount	"Expiry Date(A.D.)"
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	163,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	14,000,000	12/15/2021
3	Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	135,000,000	3/18/2026

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

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 40.07 million considering the period since commencement date till Ashadh end 2078. DoED has claimed the royalty for newly added 4.3MW project at Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to BPC. As of 15th July 2021, NEA has deducted NRs 3,44,98,322 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements.

C. Capital Commitments

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

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

BPC's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date. Due to unsatisfactory performance, notice of termination has been issued to the Civil /HM Contractor effective from April, 2019. Recovery plan has been formulated after the termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) with local currency PPA to Ministry of Energy, Water Resources and Irrigation (MoEWRI). The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

ii. 30-MW Nyadi Hydropower Project

NHP (upgraded capacity 30 MW) is a Run-of-River type project being developed over Nyadi River in Bahundada VDC in Lamjung district by Nyadi Hydropower Limited (NHL). At present BPC and Lamjung Electric Development Company (LEDCO) own 98.19% and 1.81% of NHL shares respectively. However, after the balance sheet date during first quarter of FY 2078/79, 27% of the total shares have been offloaded for the issue of IPO to employees, locals and public shareholders by maintaining the shareholding structure of BPC and LEDCO to 71.68% and 1.32% respectively. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. 99% construction of civil works, HM works, EM and transmission lines are completed as on reporting date. Declaration of COD is likely within end of Poush 2078 (Mid-January 2022). BPC's part of capital commitment on this project is NPR 1,075 million. for overall 71.19% shareholding after set aside for locals/public and employees. BPC has invested total committed amount NPR 1,075 million as on reporting date.

iii. 139.2-MW Lower Manang Marsyangdi Hydropower Project (M2)

BPC has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.199 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR. BPC's part of capital commitment on this project is NPR 1035 million for 19.40% shareholding.

iv. 7.9 -MW Chino Khola Hydropower Project
BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development and optimized to 7.9 MW capacity. A consent for PPA has been received from NEA as required for the process of Generation License.EIA report has been submitted to MOEWRI after incorporating the comments of review committee. NPR.31 million has been spent by the company for this project as on reporting date. BPC's part of capital commitment on this project is NPR 210 million for 70% shareholding.

v. 150 MW Mugu Karnali Hydropower Project
BPC has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing. NPR.55.5 million has been spent by the company for this project as on reporting date. This project being an initial state has not yet been concluded for capital commitment.

vi. SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. (SCIG JVC)
S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. BPC's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which BPC has invested NPR 137.5 million as on reporting date.

vii. 135 MW Manang Marsyangdi Hydropower Project (M1)
BPC has acquired 100% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW-Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. PPA has been obtained. The process of obtaining approval of PDA is in progress. BPC's part of capital commitment on this project is NPR 1203 million for 19.40% shareholding as as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 139.5 million for this project as on reporting date.

viii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (M3)
BPC has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation. BPC's part of capital commitment on this project is NPR 2,538 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 777.90 million for this project as on reporting date.

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

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

xi. 7 MW Solar Power Project at Jhimruk Area
The Company has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7MW Solar Power Project (SPP) at total estimated project cost of Rs. 600 million and application submitted to DOED to obtain the Electricity Survey License for the same to carry out the Feasibility and Environmental Studies. However, due to being the initial stage, capital commitment has not yet been made for this project.

Note 36

Income Statement of generation, distribution and other sources of income

For the year ending on 31 Ashadh, 2078

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	318,643,077	105,081,580	55,769,513	166,647,753	-	646,141,923
Cost of Sales						
Generation Expenses	(178,480,211)	(133,700,692)	-	-	-	(312,180,903)
Distribution Expenses	-	-	(40,867,956)	(83,292,469)	-	(124,160,425)
Gross profit	**140,162,866**	**(28,619,112)**	**14,901,557**	**83,355,284**	**-**	**209,800,595**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,836,181	4,453,182	-	7,782,134
Other income	806,071	46,666	1,406,460	2,569,783	682,886,241	687,715,221
Administrative and other operating expenses	(38,228,428)	(12,580,680)	(6,842,239)	(20,250,235)	(49,837,896)	(127,739,479)
Impairment loss on investment	-	-	-	-	(252,051,858)	(252,051,858)
Profit from Operation	**102,973,428**	**(40,893,274)**	**12,301,959**	**70,128,014**	**380,996,487**	**525,506,613**
Finance Income	15,856	11,325	63,609	12,963	58,427,893	58,531,646
Finance Costs	(250)	(8,033,363)	(130)	(870)	(11,400,865)	(19,435,478)
Profit Before Tax	**102,989,034**	**(48,915,312)**	**12,365,438**	**70,140,107**	**428,023,515**	**564,602,781**

Income Statement of generation, distribution and other sources of income

For the year ending on Ashadh 31, 2076

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

Note 37

CSR expenses as per Industrial Enterprises Act 2076

New Industrial Enterprises Act 2076 (the "Act") has been introduced with effect from Mangshir 28, 2076 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement"). The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors, that are prescribed under the Act. In current year, the Company has incurred Rs. 2,32,65,016 on "Environment, Community & Mitigation" and allocated budget Rs. 17.42 million for FY 2078/79 to meet CSR requirement, which is in line to the required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

BUTWAL POWER
COMPANY LIMITED



Consolidated Financial Statements

2020-2021



bpc
BUTWAL POWER
COMPANY LIMITED

CSC & Co.
Chartered Accountants

Mahamati Bhawan
175,Gairidhara Marg, Gairidhara
PO Box: 4861, Kathmandu,Nepal
Tel: +977-1-4004580,4004581,4004582
Fax: +977-1-4004578
Email: csc@cscnepal.com
Web: www.cscnepal.com

Independent Auditor's Report

TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

OPINION

We have audited the accompanying consolidated financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31st Ashad 2078 (15th July 2021), the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group as at 31st Ashad 2078 (15th July 2021), their consolidated total comprehensive income, consolidated cash flows and consolidated statement of changes in equity for the year then ended, in accordance with Nepal Financial Reporting Standards (NFRS).

BASIS OF OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended 15 July 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How our audit addressed the key audit matters
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 14 "Other Financial Assets" and Note 33D "Contingent Liabilities and Commitments" of the consolidated financial statements)	
Andhikhola Hydropower Project was upgraded to 9.5 MW from 5.1 MW with a Commercial Operation Date on April 5, 2015. The Company has considered an additional 4.3 MW project in Andhikhola as a separate project on the basis of a separate PPA agreement. It has calculated and paid a royalty for this new project to the Department of Electricity Development (DoED) on the basis of the revised rate @ NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. However, DoED has been claiming the additional Royalty @ NPR 1000 per installed capacity in KW and 10% of revenue from electricity sales. Like in earlier years, DoED has instructed the Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the Company during this year as well. As of 31st Ashad 2078, NEA has deducted NPR 34,498,322 from the Company's receivable balance and paid the amount to DoED. The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company's legal counsel. There's a risk that the Company's claim will not substantiate in the court and the liability on account of royalty would increase by an approximate amount of NPR 40.07 million considering the period since commencement date till Ashad end 2078. During the year, a writ petition has been filed with the Supreme Court of Nepal for the legal remedy and waiting for the decision of the Supreme Court to settle the case.	• We have evaluated the design and operating controls in relation to compliance with applicable laws and regulations. • We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels. • In respect of provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/ contingent liability assessment; we reviewed the assumptions against third party data (wherever available) and assessed the estimates against historical trends. We considered management's judgments on the level of provision/recognition of contingent liability as appropriate. **Our results** No material exceptions were noted.

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Impairment of Investments in Kabeli Energy Limited and Gurans Energy Limited
(Refer Note 8 "Investment in Associates and Joint Ventures" of the consolidated financial statements)</td></tr>
<tr><td>BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 31, 2078, BPCL has invested approximately NPR 71 crores in the project. This project is halted since December 2018 due to a dispute with the contractor (Zhejiang) and the agreement with the contractor has been terminated in April 2019. The Government of Nepal had also awarded the Tamor hydropower project which will reduce the capacity of the Kabeli-A project. The Government may compensate the project for such impact but if the project does not progress from the current stage, the position to claim the compensation will be weakened.
So, considering the above situation, there is significant doubt about the successful completion of the Kabeli-A project in near future.
During the year, the Company has booked an additional impairment loss of 40% of net investment value (amounting to NPR 252,051,857) considering the status, future prospects, carrying value of the project, and management's best judgment. The cumulative provision for impairment for this project as on 31st Ashad 2078 is NPR 512,728,738.</td><td>• We evaluated the reasonableness of impairment loss booked by the Group and the key assumptions in respect of status, future prospects, and carrying value of the project.
• We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project.
• We have also assessed the adequacy of the disclosures made in the consolidated financial statements.

Our results
No material exceptions were noted.</td></tr>
<tr><td colspan="2">Recoverability of Advances
(Refer Note 14 "Other Financial Assets (Current and Non-current)" of the consolidated financial statements)</td></tr>
<tr><td>As on Ashad 31, 2077, an advance of NPR 21 crore to Mr. Harish Chandra Shah (Shareholder of SC Power) and NPR 1.5 crore to SC Power Pvt Ltd was outstanding as receivables in the books of BPCL. These advances were provided to purchase a share of SC Power Pvt. Ltd., the developer of 440MW Tila-I and 420MW Tila-II hydropower projects. Due to various reasons, the 337th Board meeting dated 12th April 2019 of BPCL had resolved unanimously to exit from the process of acquisition of shares of SC Power and to get reimbursement or refund of the advance. During the FY 2077/78, the party made the payment of NPR 1 crore as per the commitment letter dated 26th July 2021. As on Ashadh 31, 2078, BPCL has advance receivables outstanding at NPR. 21.5 crores.
The Company has been conducting regular discussions with concerned parties through the recovery committee and has taken a commitment from the party on 3rd September 2021 to settle the entire outstanding amount within the end of Jeshta 2079.</td><td>• We inquired from management and those charged with governance about the recoverability status and reviewed communication received from the party.
• We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels.
• We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate.

Our results
No material exceptions were noted.</td></tr>
</table>

OTHER INFORMATION

The management is responsible for the other information presented in the Butwal Power Company Limited's Annual Report and Accounts 2077-78 (2020-21) together with the Consolidated Financial Statements. This report is expected to be made available to us after the date of this auditor's report. Our opinion on the Consolidated Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

OTHER MATTERS

- We did not audit the financial statements and other financial information, in respect of 2 subsidiaries; Nyadi Hydropower Limited and Khudi Hydropower Limited whose financial statement reflects total assets of NPR 5,442.87 million as at 15th July 2021, total revenue of NPR 1503.66 million and net cash (inflows) of 1.96 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors, of which financial statement, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statement, in so far as it relates to these subsidiaries, is based solely on the reports of such other auditors.
- The accompanying consolidated financial statements includes unaudited financial statements and other unaudited financial information in respect of one subsidiary company "Nepal Hydro & Electric Limited (NHE)", whose financial statement reflect total assets of NPR 783.35 million as at 15th July 2021 and total revenue of NPR 306.22 million for the year ended on that date and unaudited financial statements and other unaudited financial information in respect of 6 associates and 8 joint ventures which reflects Group's share of net loss of NPR 135.96 million. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, associates and joint ventures, is based solely on such unaudited financial statements and unaudited financial information.

Our opinion on the consolidated financial statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors.

PLACE: KATHMANDU
DATE: 14TH DECEMBER 2021
UDIN: 211216CA00264Ifp2R

JITENDRA KUMAR MISHRA
PARTNER

BUTWAL POWER COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2078 (15 July 2021) *(In NPR)*

	Note	As at 31st Ashadh 2078	As at 31st Ashadh 2077*
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	460,818,730	483,953,519
Capital work-in-progress	3	29,068,731	26,076,777
Intangible assets	4	2,166,480,473	2,664,566,830
Intangible assets under development	5	4,951,245,641	3,653,127,395
Project work-in-progress	7	283,358,383	264,784,649
Financial assets			
Investment in associates and joint ventures	8	1,063,106,141	1,264,032,158
Other investments	9	843,340,180	980,646,080
Trade receivables	13	92,305,856	93,980,648
Other financial assets	14	16,106,541	16,100,541
Deferred tax assets	6	21,821,925	21,415,353
Other non-current assets	15	11,971,624	42,771,109
Total Non-Current Assets		**9,939,624,225**	**9,511,455,059**
Current Assets			
Inventories	10	97,086,085	106,143,314
Financial assets			
Trade receivables	13	339,253,571	283,383,626
Cash and cash equivalents	11	712,318,547	120,289,949
Bank balance other than cash and cash equivalents	12	73,336,945	81,449,255
Other financial assets	14	1,260,426,919	1,325,631,503
Other current assets	15	104,291,616	398,700,395
Current tax assets (net)	6C	77,202,468	50,466,695
Total Current Assets		**2,663,916,151**	**2,366,064,737**
Total Assets		**12,603,540,376**	**11,877,519,796**
EQUITY AND LIABILITIES			
Equity			
Equity	16	2,951,360,500	2,683,881,800
Other Equity	17	4,050,521,105	4,506,290,400
Non-controlling interest	34	178,942,971	207,631,757
Total Equity		**7,180,824,576**	**7,397,803,957**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	18	189,437,420	195,809,188
Financial liabilities			
Borrowings	21	3,246,563,346	2,739,204,846
Other financial liabilities	22	292,992,445	206,266,251
Provisions	19	25,411,438	23,776,247
Deferred tax liabilities	6	168,781,415	261,802,297
Other non-current liabilities	23	22,359,958	24,691,509
Total Non-Current Liabilities		**3,945,546,022**	**3,451,550,338**

	Note	As at 31st Ashadh 2078	As at 31st Ashadh 2077*
Current Liabilities			
Financial liabilities			
Borrowings	21	707,083,105	412,896,456
Trade payables	20	300,448,246	219,776,795
Other financial liabilities	22	157,232,085	104,917,898
Provisions	19	14,706,534	11,786,226
Other current liabilities	23	297,699,808	278,655,811
Current tax liabilities (net)	6D	-	132,315
Total Current Liabilities		**1,477,169,778**	**1,028,165,501**
Total Liabilities		**5,422,715,800**	**4,479,715,839**
Total Equity and Liabilities		**12,603,540,376**	**11,877,519,796**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Raju Maharjan
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: December 14, 2021
Place: Kathmandu, Nepal

BUTWAL POWER COMPANY LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2078 (15 July 2021) *(In NPR)*

	Note	2077-78	2076-77*
Revenue	24	2,636,724,477	3,134,634,112
Cost of Sales	25	(2,335,408,528)	(2,657,931,189)
Gross profit		**301,315,949**	**476,702,923**
Depreciation Being Revenue Portion of Grant Aid	18	7,782,134	7,747,316
Other income	27	683,968,536	765,860,707
Administrative and other operating expenses	26	(231,265,835)	(254,088,762)
Profit from Operation		**761,800,784**	**996,222,184**
Finance Income	28	64,657,515	32,719,690
Finance Costs	29	(52,783,177)	(86,365,246)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**773,675,122**	**942,576,628**
Share of (loss) / profit of associates and joint ventures (net) under equity method		(135,961,869)	15,034,471
Impairment loss on investment		(252,051,858)	(246,301,842)
Profit Before Tax		**385,661,395**	**711,309,257**
Income Tax Expense			
Current tax	6A	(130,018,164)	(54,881,333)
Deferred tax credit/charge	6A	54,100,978	55,183,441
Profit for the year		**309,744,209**	**711,611,365**
Attributable to:			
Owners of the parent		336,609,438	726,251,302
Non controlling interests		(26,865,229)	(14,639,937)
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment define benefit plans		-	-
ii. Equity instruments through other comprehensive income		(157,305,900)	(217,986,344)
iii. Income tax relating to items that will not be reclassified to profit or loss	6B	39,326,475	54,496,586
Other comprehensive income/(loss) for the year, net of tax		**(117,979,425)**	**(163,489,758)**
Attributable to:			
Owners of the parent		(117,979,425)	(163,489,758)
Non controlling interests		-	-
Total Comprehensive Income/(loss) for the year, net of tax		**191,764,784**	**548,121,607**
Attributable to:			
Owners of the parent		218,630,013	562,761,544
Non controlling interests		(26,865,229)	(14,639,937)
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	30	11.41	24.61
Diluted Earnings per share - Rs.	30	11.41	24.61

**The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

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Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: December 14, 2021
Place: Kathmandu, Nepal

BUTWAL POWER COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2078 (15 July 2021) *(In NPR)*

	2077-78	2076-77*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	385,661,395	711,309,257
Adjustments for:		
Depreciation on property, plant and equipment	41,913,127	47,323,167
Amortization of Intangible Assets	92,222,072	91,406,579
Depreciation Being Revenue Portion of Grant Aid	(7,782,134)	(7,747,316)
Provision for employee benefits	4,555,499	10,227,136
Provision for Bonus	24,875,243	19,327,327
Finance income	(64,657,515)	(32,719,690)
Impairment of Intangible asset	3,652,600	4,798,854
Finance cost	51,978,966	85,162,859
Equity Investment Written Off	-	-
Amount written off	-	7,128,886
Non-Cash Income	-	-
Unrealized foreign exchange difference on cash and cash equivalent	(10,384)	(1,982,374)
Loss/ (gain) on sale of Property, plant and equipment	(2,837,277)	(147,080)
Working capital adjustments:		
(Increase)/ Decrease in Trade Receivables	(54,195,153)	305,676,533
(Increase)/ Decrease in Other Financial Assets	766,079,680	(708,102,950)
(Increase)/ Decrease in Other Assets	325,208,264	43,063,561
(Increase)/ Decrease in Inventories	9,057,229	64,315,902
Increase /(Decrease) in Trade Payables	80,671,451	117,004,649
Increase/(Decrease) in Financial Liabilities	133,857,408	10,375,657
Increase/(Decrease) in Other Liabilities	20,668,669	(168,164,841)
Cash generated from operations	**1,810,919,140**	**598,256,116**
Bonus paid	(19,692,269)	(31,954,897)
Income Tax Paid	(156,886,254)	(39,335,548)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1,634,340,617**	**526,965,671**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	3,791,303	665,234
(Increase)/Decrease in Project work-in-progress	(18,573,734)	(44,411,201)
(Increase)/Decrease in Intangible assets under development	(1,298,118,246)	(1,348,130,016)
(Increase)/Decrease in Investment in Fixed Deposits	(700,767,397)	(20,000,000)
Interest Received	64,543,816	32,842,566
Acquisition of a Subsidiary	474,736,733	(1,641,147)
(Increase)/ Decrease Investment in Associates and Joint Ventures	200,926,017	231,067,372
(Increase)/ Decrease Other Investment	(20,000,000)	-
Acquisition of Property, plant and Equipment	(22,724,318)	(8,449,325)
Purchase of Intangibles	(72,525,048)	(25,540,101)
Grant Aid received/ (refunded)	1,410,366	897,072
Bank balance other than cash and cash equivalents	8,112,310	9,635,143

	2077-78	2076-77*
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(1,379,188,198)**	**(1,173,064,403)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Share Issue Cost	(3,132,300)	(300,000)
Issue of share in subsidiaries	-	-
Borrowing (repaid) / taken (net)	801,376,394	710,674,164
Dividend paid	(409,568,088)	(424,476,866)
Interest paid	(51,978,966)	(85,162,859)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**336,697,040**	**200,734,439**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**591,849,459**	**(445,364,293)**
Net foreign exchange difference on cash and cash equivalents	10,384	1,982,374
CASH AND CASH EQUIVALENTS, Beginning of Year	88,688,205	532,070,124
CASH AND CASH EQUIVALENTS, End of Period	**680,548,048**	**88,688,205**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Raju Maharjan
Director

Jitendra Kumar Mishra
Partner
CSC & Co.
Chartered Accountants

Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: December 14, 2021
Place: Kathmandu, Nepal

BUTWAL POWER COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2078 (15 July 2021)

(In NPR)

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent						Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total		
Balance at 1 Shrawan, 2076*	**2,440,555,400**	**1,767,535,318**	**18,151,841**	**148,700,000**	**567,279,722**	**2,122,429,986**	**4,624,096,867**	**219,820,396**	**7,284,472,663**
Profit for the year									
Other comprehensive income	-	-	-	-	-	726,251,302	726,251,302	(14,639,937)	711,611,365
Total comprehensive income	-	-	-	-	(163,489,758)	-	(163,489,758)	-	(163,489,758)
Issue of share in subsidiaries	-	-	-	-	(163,489,758)	726,251,302	562,761,544	(14,639,937)	548,121,607
Issue of share in subsidiaries	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	243,326,400	-	-	-	-	(243,326,400)	(243,326,400)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	(294,560)	(294,560)	(5,440)	(300,000)
Dividends to shareholders	-	-	-	-	-	(440,294,127)	(440,294,127)	(1,325,072)	(441,619,199)
Transfer to Retained Earnings	-	-	-	-	-	(310,099)	(310,099)	310,099	-
Prior Period Adjustment	-	-	-	-	-	3,657,175	3,657,175	3,471,711	7,128,886
Balance at 31st Ashadh, 2077*	**2,683,881,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,168,113,277**	**4,506,290,400**	**207,631,757**	**7,397,803,957**
Profit for the year	-	-	-	-	-	336,609,438	336,609,438	(26,865,229)	309,744,209
Other comprehensive income	-	-	-	-	(117,979,425)	-	(117,979,425)	-	(117,979,425)
Total comprehensive income	**-**	**-**	**-**	**-**	**(117,979,425)**	**336,609,438**	**218,630,013**	**(26,865,229)**	**191,764,784**

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent						Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total		
Issue of share in subsidiaries	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	267,478,700	-	-	-	-	(267,478,700)	(267,478,700)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	(3,075,505)	(3,075,505)	(56,795)	(3,132,300)
Dividends to shareholders	-	-	-	-	-	(403,845,103)	(403,845,103)	(1,766,762)	(405,611,865)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-
Balance at 31st Ashadh, 2078	**2,951,360,500**	**1,767,535,318**	**18,151,841**	**148,700,000**	**285,810,539**	**1,830,323,407**	**4,050,521,105**	**178,942,971**	**7,180,824,576**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
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Pradeep Kumar Shrestha
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Om Prakash Shrestha
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Independent Director

Date: December 14, 2021
Place: Kathmandu, Nepal

BUTWAL POWER COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2078

Note 1: Background

The consolidated financial statements comprise financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (hereinafter referred to as "the Group") for the year ended 31st Ashadh, 2078.

The Group principal activities includes the development of hydropower project, provide consulting services, hydraulic modelling and operation and maintenance services to hydropower plants. The group has carried on the business in Nepal and overseas and employs over 500 people. Information on the Group's structure is provided in Note 2.25.

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

The consolidated financial statements apply to the financial year ended 31st Ashadh 2078 (15th July 2021).

In the Consolidated financial statements, Butwal Power Company Limited has been referred as "BPC" or "Company".

The accompanied consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 2078/08/28 (December 14, 2021). The Board of Directors acknowledges the responsibility of preparation of consolidated financial statements.

Note 2: Significant accounting policies

2.1 BASIS OF PREPARATION AND MEASUREMENT

i. Statement of Compliance

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

The Group has applied Carve Out issued by the Institute of Chartered Accountants of Nepal (ICAN) as an alternative treatment for equity accounting under NAS 28- Investment in Associates and Joint Ventures. As per alternative treatment under Para 35 of NAS 28, the entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so. All associates and joint ventures of the Group have not prepared the financial statements using the uniform accounting policies, so the Group has adopted this carve out which is valid till fiscal year 2020-21.

ii. Standards issued by ICAN but not yet applicable at 15th July 2021

The Group has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2077-78 (2020-21). These standards include:

a. NFRS 9 "Financial Instruments", NFRS 14 "Regulatory Deferral Accounts", NFRS 15 "Revenue from Contracts with Customers, NFRS 16 "Leases", NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 17th July 2023, and
b. All other standards under NFRS 2018 applicable from 16th July 2020.

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

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

NFRS 9 "Financial Instruments" is the new NFRS standard introducing new provisions regarding

Impairment of financial assets and hedging. It replaces standards NAS 39 "Financial Instruments: Recognition and Measurement" and NFRS 9 (2013) "Financial Instruments".

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

iii. Basis of preparation

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The consolidated financial statements is presented in functional and presentation currency of the Group i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Group operates.

iv. Basis of measurement

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

v. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashadh, 2078. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

  The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:
- The size of Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 Ashadh. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

LIMITATION ON CONSOLIDATION DURING THE YEAR

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

In addition, during the year 2076-77, the unaudited (provisional) financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were made available to the management of the Company so the consolidated financial statements had included the provisional financial figures of NHE in the FY 2076-77. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group had consolidated the provisional amounts of revenue and expenses, cash flows and changes in equity of NHE for the year 2076-77. In the current year (FY 2077-78), the opening figures of the consolidated financial statements have been restated for the amounts of revenue, expenses, cash flows, assets, liabilities and equity of NHE for FY 2076-77 based on audited financial statement of 2076-77 provided during the year.

CONSOLIDATION PROCEDURE:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Off set (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

(d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:

An associate is an entity over which the Group has significant influences but not control or joint control. This is generally the case where the Group holds between 20% to 50% of the voting rights or the Group has power to participate in the financial and operating policy decision of the investee. Investments in associate are accounted for using equity method. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associates or joint ventures exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint ventures. An investment in an associates or joint ventures is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. After application of the equity method of accounting, the Group determines whether there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment in an associate or joint venture and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such an objective evidence of impairment, then it is necessary to recognise impairment loss with respect to the Group's investment in an associate or joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. Distributions received from an associate or joint venture reduce the carrying amount of the investment. Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the assets transferred.

2.2 Business Combinations and Goodwill

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

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

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

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

2.3 Critical accounting estimates and judgements

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

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

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

CONTINGENCIES

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

FAIR VALUE MEASUREMENTS

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

RECOGNITION OF DEFERRED TAX ASSETS

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

2.4 Service concession arrangements

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

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

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

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

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

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

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

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

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

2.5 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

iii. The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

iv. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

2.6 Other Intangible Assets

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

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

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

2.7 Depreciation and Amortization

i. Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives.

ii. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

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

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

iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

2.8 Impairment of tangible and intangible assets

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

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

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

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

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

2.9 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

2.10 Cash and cash equivalents

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

2.11 Inventories

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

2.12 Revenue recognition

i) SALE OF ELECTRICITY

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

ii) REVENUE FROM CONSULTANCY CONTRACTS

Consultancy contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent of the contract costs incurred if it is probable that they will be recoverable. When the outcome of the contract is ascertained reliably, contract revenue is recognised at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs. The estimated outcome of a contract is considered reliable when all the following conditions are satisfied:

i. The amount of revenue can be measured reliably,
ii. It is probable that the economic benefits associated with the contract will flow to the Group,
iii. The stage of completion of the contract at the end of the reporting period can be measured reliably, and
iv. The costs incurred or to be incurred in respect of the contract can be measured reliably.

Provision is made for all losses incurred to the balance sheet date. Variations in contract work, claims and incentive payments are recognised to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Expected loss, if any, on a contract is recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognised profits (or recognised losses, as the case may be), the surplus is shown as the amount due to customers.

iii) OTHER ELECTRICITY SERVICES

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

iv) DIVIDEND AND INTEREST INCOME

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

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

2.13 Foreign currency transactions

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

2.14 Employment Benefits

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

DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

DEFINED BENEFIT PLAN - GRATUITY

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

SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS

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

2.15 Taxation

INCOME TAX

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

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Group:

Income from Manufacturing and sale of electricity: 20% (2076/77: 20%)

Income from Other services: 25% (2076/77: 25%)

DEFERRED TAX

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

2.16 Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

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

2.17 Provisions, contingencies and commitments

i. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
ii. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.
iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

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

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

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

2.18 Financial Instruments

I. FINANCIAL INSTRUMENTS

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

Investment in equity instruments issued by subsidiaries and associates are measured at cost less impairment.

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

II. EFFECTIVE INTEREST METHOD

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

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

III. FINANCIAL ASSETS

Financial assets at amortised cost

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

DE-RECOGNITION OF FINANCIAL ASSETS

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

IV. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts

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

De-recognition of financial liability

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

V. OFF-SETTING OF FINANCIAL INSTRUMENTS

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

VI. FAIR VALUE MEASUREMENT:

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

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

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

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

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

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

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

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

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

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

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

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

2.19 Leases

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

Group as a lessee

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

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

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

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

THE GROUP AS LESSOR

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

2.20 Government grants and Grant Aid in Reserve

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

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

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

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

2.21 Non-current assets held for sale

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

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

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

2.22 Financial risk management objectives and policies

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

The Risk Management is done by the Group's management that provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: -

A. CURRENCY RISK

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

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NPR as at Ashadh 31, 2078 and Ashadh 31, 2077: -

Particulars	Currency	Ashadh 31, 2078	Ashadh 31, 2077
Cash and bank balance	NPR	29,617,420	12,545,546
	USD	248,802	104,225
Trade Receivables	NPR	11,775,384	9,316,006
	USD	98,920	77,395
Retention Money Payable	NPR	214,334,103	157,009,665
	USD	1,791,492	1,304,392
Sundry Creditors	NPR	221,077,611	166,360,127
	USD	1,847,857	1,382,073

A. CURRENCY RISK

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

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NPR as at Ashadh 31, 2077 and Ashadh 31, 2076: -

B. CREDIT RISK

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

C. INTEREST RATE RISK

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

D. LIQUIDITY RISK

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, Group has arranged adequate level of OD facility for short term financing. The Group's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimise its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

2.23 Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group. The Group manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to the shareholders. The capital structure of the Group is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's aim to translate profitable growth to superior cash generation through efficient capital management. The Group's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Group's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Group. The Group will take appropriate steps in order to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Group's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashadh, 2078 and 31st Ashadh, 2077.

2.24 Segment reporting

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

SUBSIDIARIES

a) Nepal Hydro & Electric Limited

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholdings of Butwal Power Company Ltd., Alstom Power

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

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2078	Ashadh 31, 2077
On the basis of audited financial statement			
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	98.19%	98.19%
BPC Services Limited (BPCSL)	Engineering consultancy services	100.00%	100.00%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	80.00%	80.00%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60.00%	60.00%
On the basis of unaudited financial statement			
Subsidiaries:			
Nepal Hydro & Electric Limited (NHE)	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%
Refer Limitation on Consolidation w.r.t this subsidiary in Note 2.1(iv)	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%
Associates:			
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	40.00%	40.00%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	27.24%	27.24%
Himtal Hydropower Company Private Limited	Generation and sale of hydro electricity	19.40%	19.40%
Marsyangdi Transmission Company Private Limited	Transmission of electricity	19.40%	19.40%
Manang Marshyangdi Hydropower Company Private Limited (MMHCPL)	Generation and sale of hydro electricity	22.40%	100.00%
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	Develop, own, acquire and operate hydropower projects	20.00%	20.00%

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2078	Ashadh 31, 2077
Joint ventures:			
CQNEC-NHE Consortium-Purbi Chitwan	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
ERMC & Hydro Consult JV	Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I	32.00%	32.00%
Hydro Consult & ERMC JV	• Detailed Engineering Design of Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydro-power Project		
	• Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP	48.00%	48.00%
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	24.00%	24.00%
HCE-ITECO-TMS JV	Detailed Feasibility Study of Sunsari Mo-rang Irrigation Project	32.00%	32.00%
HCE-BDA JV	Detail survey, detail design including preparation of tender documents, con-struction supervision works and geotech-nical investigations of Seti Nadi Hydro Power Project (25 MW)	48.00%	48.00%
HCE-CEMAT-PNET JV	Feasibility and EIA study of Humla-Karnali Hydropower Project (62 MW)	40.00%	
Fichtner-HCE-NEW JEC JV	Feasibility and EIA study of Bharbhung Storage Hydropower Project including Tatu ROR Project (10MW), Dolpa District (512MW).	60.00%	
Other equity investments:			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		10.73%	10.73%
Dordi Khola Jal Bidyut Company Ltd		0.30%	0.30%

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

b) Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 9.54% (13.83% in FY 2076/77) (i.e., the prevailing interest rate 7.04% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

c) BPC Services Limited

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

d) Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. Till the end of Asadh 2078 BPC owned 98.19% shares of NHL followed by LEDCO shareholding 1.81%. However, after the balance sheet date during first quarter of FY 2078/79, 27% of the total shares have been offloaded for the issue of IPO to employees, locals and public shareholders by maintaining the shareholding structure of BPC and LEDCO to 71.68% and 1.32% respectively. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. 99% construction of civil works, HM works, EM and transmission lines are completed as on reporting date. Declaration of COD is likely within end of Poush 2078.

e) Hydro-Consult Engineering Limited

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and also acquired 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

ASSOCIATES

f) Manang Marsyangdi Hydropower Company Pvt. Ltd.

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

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

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. on 26th March 2019 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. 77.6% of the shares held by BPC has been divested to three Chinese Companies namely Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) and transferred them the shares on 28th April 2021. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. The process of obtaining approval of PDA of MMHCPL is in progress.

g) Gurans Energy Limited

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2077/78. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

h) Kabeli Energy Limited (KEL)

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

i) Himtal Hydropower Company Pvt. Ltd

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

j) Marsyangdi Transmission Company Pvt. Ltd.

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

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

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

JOINT VENTURES

l) CQNEC-NHE Consortium-Purbi Chitwan

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

m) HCE-ERMC Joint Venture

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

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

n) ERMC-HCE Joint Venture (Feasibility and EIA of Sankhuwa Khola and Sankhu khola-1)
Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'ERMC-HCE Joint Venture'] for carrying out the following work: -

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

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

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

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

r) HCE-CEMAT-PNET Joint Venture
HCE has entered into a joint venture agreement with Cemat Consultant Pvt. Ltd. (CEMAT) and Professional Network for Engineering Service (PNET) on 31October 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Humla-Karnali Project (62 MW), Humla District.

s) FITCHNER-HCE-NEWJEC Joint Venture
HCE has entered into a joint venture agreement with FICHTNER GmbH & Co. KG, Germany and NEWJEC Inc., Japan on 11 September 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Bharbung Storage Hydropower Project and including Tatu RoR Project (10MW), Dolpa district (512MW).

OTHER EQUITY INVESTMENTS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2078

Note no: 3

Property, plant and equipment:

(In NPR)

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Total
Cost									
Balance as at 1st Shrawan 2076	101,218,950	296,202,420	104,407,426	33,254,781	71,299,489	29,136,279	78,367,424	24,688,572	**738,575,341**
Additions	525,000	273,234	-	124,420	2,729,168	2,752,298	657,000	1,388,205	**8,449,325**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(4,479,572)	(107,221)	(658,528)	(387,010)	(1,569,995)	-	**(7,202,326)**
Balance at 31st Ashadh 2077	101,743,950	296,475,654	99,927,854	33,271,980	73,370,129	31,501,567	77,454,429	26,076,777	**739,822,340**
Additions	6,171,795	-	4,655,062	128,934	5,525,323	3,007,250	244,000	2,991,954	**22,724,318**
Adjustment	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(39,712)	(235,890)	(2,187,334)	(1,207,522)	(606,328)	-	**(4,276,786)**
Balance at 31st Ashadh 2078	107,915,745	296,475,654	104,543,204	33,165,024	76,708,118	33,301,295	77,092,101	29,068,731	**758,269,872**
Accumulated depreciation									
Balance as at 1st Shrawan 2076	-	46,653,463	36,927,407	19,038,801	41,379,695	15,068,330	30,085,354	-	**189,153,050**
Charge for the year	-	12,456,107	10,241,109	3,647,388	7,574,443	3,703,550	9,700,569	-	**47,323,166**
Disposals	-	-	(4,361,011)	(81,777)	(409,008)	(306,958)	(1,525,418)	-	**(6,684,172)**
Balance at 31st Ashadh 2077	-	59,109,570	42,807,505	22,604,412	48,545,130	18,464,922	38,260,505	-	**229,792,044**
Charge for the year	-	11,841,198	9,240,580	2,763,793	6,675,386	3,544,155	7,848,015	-	**41,913,127**
Adjustment	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(24,735)	(193,906)	(1,713,509)	(973,599)	(417,011)	-	**(3,322,760)**
Balance at 31st Ashadh 2078	-	70,950,768	52,023,350	25,174,299	53,507,007	21,035,478	45,691,509	-	**268,382,411**
Net book value									
At 1st Shrawan 2076	101,218,950	249,548,957	67,480,019	14,215,980	29,919,794	14,067,949	48,282,070	24,688,572	**549,422,291**
At 31st Ashadh 2077	101,743,950	237,366,084	57,120,349	10,667,568	24,824,999	13,036,645	39,193,924	26,076,777	**510,030,296**
At 31st Ashadh 2078	107,915,745	225,524,886	52,519,854	7,990,725	23,201,111	12,265,817	31,400,592	29,068,731	**489,887,461**

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

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

Note no: 4

Intangible assets:

(In NPR)

	Goodwill	Computer Software	"Service Concession Arrangement Intangibles"	Total
Cost				
Balance as at 1st Shrawan 2076	473,095,586	10,804,501	2,598,571,600	**3,082,471,687**
Additions - Externally acquired	-	95,112	25,444,989	**25,540,101**
Acquisition of a Subsidiary [Refer Note "c" below]	1,641,147	-	-	**1,641,147**
Transfer from CWIP	-	-	-	**-**
Adjustment during the year	-	(2,040,686)	(5,602,209)	**(7,642,895)**
Balance at 31st Ashadh 2077	474,736,733	8,858,927	2,618,414,380	**3,102,010,040**
Additions - Externally acquired	-	1,528,890	70,996,158	**72,525,048**
Acquisition of a Subsidiary [Refer Note "c" below]	-	-	-	**-**
Disposal	(474,736,733)			**(474,736,733)**
Transfer from CWIP	-	-	-	**-**
Adjustment during the year	-	(840,257)	(3,927,583)	**(4,767,840)**
Balance at 31st Ashadh 2078	-	9,547,560	2,685,482,955	**2,695,030,515**
Amortisation				
Balance as at 1st Shrawan 2076	-	7,399,921	341,480,751	**348,880,672**
Charge for the year	-	1,251,204	90,155,375	**91,406,579**
Adjustment during the year	-	(2,040,686)	(803,355)	**(2,844,041)**
Balance at 31st Ashadh 2077	-	6,610,439	430,832,771	**437,443,210**
Charge for the year	-	1,062,552	91,159,520	**92,222,072**
Adjustment during the year	-	(840,257)	(274,983)	**(1,115,240)**
Balance at 31st Ashadh 2078	-	6,832,734	521,717,308	**528,550,042**
Net book value				
At 1st Shrawan 2076	473,095,586	3,404,580	2,257,090,849	**2,733,591,015**
At 31st Ashadh 2077	474,736,733	2,248,488	2,187,581,609	**2,664,566,830**
At 31st Ashadh 2078	-	2,714,826	2,163,765,647	**2,166,480,473**

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

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

c) On 5th May 2021, the Group disposed off 76.4% out of its 100% equity shares of Manang Marshyangdi Hydropower Company Pvt. Ltd. thereby losing its control over the company. Consequently, goodwill amounting to NPR 474,736,733 pertaining to the acquisition of Manang Marshyangdi Hydropower Company Pvt. Ltd has been disposed off by the group.

Note: 5

Intangible assets under development

(In NPR)

Particulars	"As at 31st Ashad 2078"	"As at 31st Ashad 2077"
Pre-operating Expenses (A)	**866,190,832**	**743,980,445**
Depreciation	20,272,171	17,962,210
Employee related cost	103,810,924	103,038,502
Other Project Operation Expenses	44,373,549	163,404,034
LEDCO Service Fee and Expenses	35,000,000	35,000,000
Licensing & Other Development Fees	8,899,100	8,899,100
Pre-Construction Interest, Commission & Fees	24,835,484	24,879,366
Interest, Commission & Fees during Construction	628,999,604	390,797,233
Land Acquisitions (B)	**33,967,346**	**33,967,346**
Land & Land Developments	33,967,346	33,967,346
Civil Works (C)	**2,549,264,658**	**1,845,060,306**
Civil Works	2,485,547,218	1,781,342,866
Access Road	28,634,345	28,634,345
Marshyangdi Bridge	32,427,420	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	2,655,675	2,655,675
Environment & Social Cost (D)	**46,658,300**	**36,566,605**
Trainings & Developments	2,062,551	2,062,552
Community & Social Expenses	24,495,173	19,712,677
Nursery and Plantation	836,464	836,464
Infrastructure Developments	19,264,112	13,954,912
Engineering & Management (E)	**282,156,753**	**259,005,968**
Engineering, Design & Development Expenses	118,275,685	118,275,685
Consultancy Fee & Expenses	158,298,477	135,337,579
Inspection & Project Supervision	5,582,591	5,392,704
Transmission Line (F)	**97,098,474**	**4,694,326**
Transmission Line Works	97,098,474	4,694,326
Hydro Mechanical Works (G)	**405,044,771**	**321,932,041**
Hydro Mechanical Works	405,044,771	321,932,041
Electro Mechanical Works (H)	**670,864,507**	**407,920,358**
Electro Mechanical Works	670,864,507	407,920,358
Total (A+B+C+D+E+F+G+H)	**4,951,245,641**	**3,653,127,395**

a) The Group's subsidiary company - NHL is a developer of hydro electricity. It is yet to start generation of hydro electricity and currently it is at construction phase. Revenue and margin from the contraction phase cannot be estimated reliably. Hence, profit margin on construction phase is assumed to be 0% and accordingly revenue and cost during construction phase has been recognised which is equal to actual construction cost during the period.

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

Note no: 6

INCOME TAXES

(In NPR)

A. Tax expense recognised in the Statement of Profit or Loss	Year ended 31 Ashad, 2078	Year ended 31 Ashad, 2077
Current tax		
Current income tax charge	130,018,164	54,881,333
Adjustments for under provision in prior periods	-	-
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	(54,100,978)	(55,183,441)
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in statement of Profit or Loss	**75,917,186**	**(302,108)**

B. Tax expense recognised in Other comprehensive income	Year ended 31 Ashad, 2078	Year ended 31 Ashad, 2077
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	(39,326,475)	(54,496,586)
Income tax charged to OCI	**(39,326,475)**	**(54,496,586)**

C. Current tax asset -net:	Year ended 31 Ashad, 2078	Year ended 31 Ashad, 2077
Advance Income Tax	247,917,603	132,225,642
Less: Income Tax Liability	(170,715,135)	(81,758,947)
Total	**77,202,468**	**50,466,695**

D. Current tax (liability) -net:	Year ended 31 Ashad, 2078	Year ended 31 Ashad, 2077
Income Tax Liability	-	(132,315)
Less: Advance Income Tax	-	-
Total	**-**	**(132,315)**

E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashad, 2078	Year ended 31 Ashad, 2077
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	594,238,948	754,245,601
Enacted tax rate	23.63%	23.69%
Computed tax expense	140,417,651	178,717,790
Differences due to:		
Profit transferred from JVs (Final withholding tax)	-	-
Tax effect due to non taxable income	(82,056,979)	(186,519,229)
Tax effect due to non-deductible expenses	73,856,084	77,605,664
Due to reduced tax rate on foreign income source	55,847	(360,968)
Due to loss on foreign income source	223,388	-
Effect due to additional deductible expenses	(147,360)	(329,471)
Tax effect due to difference in depreciation rate	(8,436,184)	(11,800,769)
Doubtful debt recovered	-	-
Use of previous losses	(7,500,000)	(2,431,686)
Tax Related to Prior Period	(68,253)	-
Accumulated losses	13,673,970	-
Current tax on profits for the year	**130,018,164**	**54,881,331**

F. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2077 and 31 Ashadh, 2078:

i) Deferred Tax Assets

Movement during the year ended 31 Ashadh, 2077	"As at 1 Shrawan, 2076"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2077"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,608,399	146,698	-	1,755,097
Provision for gratuity	16,596,602	114,699	-	16,711,301
Depreciation	1,301,476	98,219	-	1,399,695
Provision for CSR	114,266	7,964	-	122,230
Provision for PLI	1,356,767	70,263	-	1,427,030
	20,977,510	**437,843**	**-**	**21,415,353**

Movement during the year ended 31 Ashadh, 2078	"As at Shrawan 1, 2077"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,755,097	148,429	-	1,903,526
Provision for gratuity	16,711,301	-	-	16,711,301
Depreciation	1,399,695	24,843	-	1,424,538
Provision for CSR	122,230	(34,084)	-	88,146
Provision for PLI	1,427,030	267,384	-	1,694,414
	21,415,353	**406,572**	**-**	**21,821,925**

ii) Deferred Tax Liability

Movement during the year ended 31 Ashadh, 2077	"As at 1 Shrawan, 2076"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2077"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	1,949,448	(1,949,448)	-	-
Provision for leave encashment	2,806,232	1,580,535	-	4,386,766
Provision for gratuity	189,793	(181,764)	-	8,029
Leave money payable	-	-	-	-
Depreciation	(190,647,930)	(6,333,927)	-	(196,981,857)
Amortisation cost of term loan	157,461	54,739	-	212,200
Investment in equity instrument	(189,093,241)	-	54,496,586	(134,596,655)
Provision for loss on investment	3,593,760	61,575,460	-	65,169,220
	(371,044,477)	**54,745,595**	**54,496,586**	**(261,802,297)**

Movement during the year ended 31 Ashadh, 2078	"As at 1 Shrawan, 2077"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	4,386,766	948,160	-	5,334,926
Provision for gratuity	8,029	65,879	-	73,908
Leave money payable	-	-	-	-
Depreciation	(196,981,857)	(10,202,406)	-	(207,184,263)
Amortisation cost of term loan	212,200	(130,191)	-	82,009
Investment in equity instrument	(134,596,655)	-	39,326,475	(95,270,180)
Provision for loss on investment	65,169,220	63,012,965	-	128,182,185
	(261,802,297)	**53,694,407**	**39,326,475**	**(168,781,415)**

Note no: 7

Project work-in-progress

(In NPR)

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
	At cost	**At cost**
Chino Khola SHP	29,857,814	26,826,145
Lower Manang Marshyangdi HEP	198,929,729	194,278,484
Mugu Karnali HEP	54,499,140	43,680,020
Solar Project at Jhimruk Area (7 MW)	71,700	-
Total	**283,358,383**	**264,784,649**

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

Note no: 8

Investment in associates and joint ventures

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of shares	Amount	No. of shares	Amount
Investment in associates (at cost less impairment loss)				
"Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)"	3,319,836	-	3,319,836	190,564,235
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	-	2,966,860	194,087,662
"Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)"	-	-	-	756,026
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	772,687,251	601,300	772,709,173
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,015,742	6,406	10,024,510
Manang Marsyandi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	198,455	127,050,350	-	-
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	78,166,837	3,125,439	84,291,599
Investment in joint ventures (at cost less impairment loss)				
CQNEC-NHE Consortium-Purbi Chiitwan	-	5,880,171	-	5,880,171
ERMC & Hydro Consult JV	-	753,052	-	985,663
Hydro Consult & ERMC JV	-	1,036,187	-	3,021,533
ITECO-TMS-HCE JV	-	1,404,311	-	1,260,618
HCE-ITECO-TMS JV	-	1,351,036	-	-
Hydro Consult & BDA JV	-	261,330	-	250,968
Hydro Consult & BDA JV (Phase 2)	-	149,581	-	-
Fichtner-HCE-NEW JEC JV	-	(57,699)	-	-
HCE-CEMAT-PNET JV	-	170,655	-	-
Advance towards share capital including incidental cost:				
Gurans Energy Limited	-	-	-	200,000
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	44,000,000	-	-
Manang Marsyandi Hydropower Company Pvt. Ltd.	-	12,736,000	-	-
Hydro-Consult Engineering Limited	-	7,501,337	-	-
Total Investment	**10,218,296**	**1,063,106,141**	**10,019,841**	**1,264,032,158**

Note no: 9

Other investments

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
"Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)"	2,978,502	792,758,372	2,978,502	954,961,138
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	24,253,808	10,000	19,356,942
Dordi Khola Jal Bidyut Company Limited (Equity Shares of NPR 100 each fully paid up)	56,000	6,328,000	56,000	6,328,000
Total Investment at Fair Value through Other Comprehensive Income	**3,044,502**	**823,340,180**	**3,044,502**	**980,646,080**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	-
Total other investments	**3,044,502**	**843,340,180**	**3,044,502**	**980,646,080**

Note no: 10

Inventories

(In NPR)

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
General Stock/Office Supplies/Consumer Service Item	11,675,005	5,857,255
Stock of Electric Goods	44,037,153	36,694,333
T/L and D/L Stock	6,084,793	12,965,976
Other engineering inventories and spare parts	35,289,134	50,625,750
Total	**97,086,085**	**106,143,314**

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

Note no: 11

Cash and cash equivalents

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Balances with banks		
Local currency account		
In current accounts	66,944,117	49,593,690
In call accounts	65,427,916	57,169,073
In deposits accounts (Orignal maturity less than 3 months)	550,000,000	-
Convertible currencies account		
In current accounts	29,629,527	12,561,504
Cash in hand	316,987	965,682
Total	**712,318,547**	**120,289,949**

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

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

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Cash at banks and on hand	712,318,547	120,289,949
Overdraft	(31,770,499)	(31,601,744)
Total	**680,548,048**	**88,688,205**

Note no: 12

Bank balance other than cash and cash equivalents

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Balances with Bank		
In deposit account	49,000,000	49,000,000
Embarked balance with bank		
Margin money	24,336,945	32,449,255
	73,336,945	**81,449,255**

a. Debt Service Reserve Account (DSRA) balance of has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.

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

Note no: 13

Trade receivables

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	65,634,336	8,373,961	60,605,475	8,373,961
Local Consumers	35,388,399	-	22,903,982	-
Bills receivables from JVs	37,411,836	-	12,632,072	-
Retention money held by the Customers	64,088,697	90,631,063	87,992,458	90,631,063
Other trade receivables	149,848,823	-	115,840,925	-
Less: Allowances for doubtful receivables	(13,118,520)	(6,699,168)	(16,591,286)	(5,024,376)
	339,253,571	**92,305,856**	**283,383,626**	**93,980,648**

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

Note no: 14

Other financial assets (Current and Non-current)

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-current	Current	Non-current
Security deposits				
Deposit (Others)	12,853,303	13,686,768	764,383	13,680,768
Investment in Fixed Deposit	750,945,206		50,064,110	-
Loan and advances				
Advances to Staff	17,341,767	2,419,773	5,646,505	2,419,773
Receivables from Employee Welfare Fund	9,301,855	-	9,301,855	-
Accrued Contract Revenue	87,169,696	-	158,299,369	-
Receivables from associates and joint ventures				
Dividend receivable from associates	-	-	739,085,487	-
Other receivables from associates	-	-	6,736,236	-
Interest receivable from associates	79,190,659	-	79,190,659	-
Advance receivables from JVs	46,599,503	-	22,428,979	-
Other receivables				
Receivables from Harish Chandra Shah	200,000,000	-	210,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Other receivables from Department of Electricity Development (DoED)	34,498,322	-	25,088,251	-
Other receivables from Citizen Investment Trust	-	-	1,408,418	-
Other receivables	7,526,608	-	2,617,251	-
Total	**1,260,426,919**	**16,106,541**	**1,325,631,503**	**16,100,541**

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

Note no: 15

Other assets (Current and Non-current)

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-current	Current	Non-current
Capital advance	-	10,384,375	-	1,325,939
Prepayments	15,022,294	-	17,076,058	-
Advance to Supplier/Contractor/Sub Contract	86,546,069	-	381,620,561	-
Deposit with Government authorities	2,697,753	-	-	2,697,753
Other assets	25,500	1,587,249	3,776	38,747,417
	104,291,616	**11,971,624**	**398,700,395**	**42,771,109**

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

Note no: 16

Equity Share Capital

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares				
Authorised				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued				
Equity Shares of Rs. 100 each with voting rights	29,513,605	2,951,360,500	26,838,818	2,683,881,800
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	29,513,605	2,951,360,500	26,838,818	2,683,881,800
	29,513,605	**2,951,360,500**	**26,838,818**	**2,683,881,800**

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

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
	No. of Shares	No. of Shares
Balance as at the beginning of the year	26,838,818	24,405,554
Add: Issue of bonus share during the year	2,674,787	2,433,264
Balance as at the end of the year	**29,513,605**	**26,838,818**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	16,616,291	56.30%	15,105,719	56.28%
Government of Nepal	2,190,692	7.42%	1,991,538	7.42%
IKN Nepal A.S., Norway	466,397	1.58%	423,997	1.58%
United Mission to Nepal	403,603	1.37%	366,912	1.37%
Nepal Electricity Authority	254,522	0.86%	231,383	0.86%
General Public/Employees				
- NMB Bank Ltd.	-	0.00%	513,359	1.91%
- Kamana Sewa Bikas Bank Ltd.	-	0.00%	356,525	1.33%
- Other General Public shareholders	9,582,100	32.47%	7,849,385	29.25%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2076-77: NPR 15 per share and stock dividend NPR 10 per share (2075-76: cash dividend NPR 18 per share and stock dividend NPR 10 per share)	403,491,750	440,029,112
"Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):"		
Dividends on ordinary shares:		
Proposed dividend for 2077-78: Cash dividend NPR 10 per share and Stock Dividend NPR 10 per share (2076-77: cash dividend NPR 15 per share and stock dividend NPR 10 per share)		403,491,750

a) The board of directors has proposed 10 % cash dividend and 10 % stock dividend on paid up capital from the net profit of the fiscal year 2077/78 and its accumulated reserve & surplus. The total amount of cash dividend **NPR 295.14 million shall be payable and 2,951,361 numbers of bonus shares of NPR 100 each (equivalent to NPR 295.14 million)** shall be issued after the approval of 29th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2077/78 **NPR 324.96 million** (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

Note no: 17

Other Equity

(In NPR)

Particulars	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total
Balance at 1 Shrawan 2076	**1,767,535,318**	**18,151,841**	**148,700,000**	**567,279,722**	**2,122,429,986**	**4,624,096,867**
Profit for the year	-	-	-		726,251,302	**726,251,302**
Other comprehensive income	-	-	-	(163,489,758)	-	**(163,489,758)**
Issue of right share	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(243,326,400)	**(243,326,400)**
Issue of Further Public Offering	-	-	-	-	(294,560)	**(294,560)**
Share Issue Cost	-	-	-	-		**-**
Dividends to shareholders	-	-	-	-	(440,294,127)	**(440,294,127)**
Transfer to Retained Earnings	-	-	-	-	(310,099)	**(310,099)**
Prior Period Adjustment	-	-	-	-	3,657,175	**3,657,175**
Balance at 31st Ashadh 2077	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,168,113,277**	**4,506,290,400**
Profit for the year	-	-	-	-	336,609,438	**336,609,438**
Other comprehensive income	-	-	-	(117,979,425)	-	**(117,979,425)**
Issue of right share	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(267,478,700)	**(267,478,700)**
Issue of Further Public Offering	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-	(3,075,505)	**(3,075,505)**
Dividends to shareholders	-	-	-	-	(403,845,103)	**(403,845,103)**
Transfer to Retained Earnings	-	-	-	-	-	**-**
Balance at 31st Ashadh 2078	**1,767,535,318**	**18,151,841**	**148,700,000**	**285,810,539**	**1,830,323,407**	**4,050,521,105**

Note no: 18

Grant aid in reserve

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Closing Balance	Amortisation for the year	Closing Balance	Amortisation for the year
Name of Grantors				
NORAD	8,135,610	328,484	8,464,094	328,484
UMN PCS	16,259,473	673,931	16,933,404	673,931
USAID	9,181,017	382,724	9,563,740	382,724
REGDAN	9,972,627	414,375	10,387,002	414,375
JRP	4,948,261	206,805	5,155,066	206,805
REEP	66,666,329	2,773,849	69,440,177	2,773,849
Local VDC/Community	74,274,103	3,001,966	75,865,705	2,967,148
Total	**189,437,420**	**7,782,134**	**195,809,188**	**7,747,316**

Note no: 19

Provisions (current and non-current)

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	7,576,295	25,411,438	5,589,187	23,776,247
Provision for Performance Link Incentive	6,777,656	-	5,708,119	-
Provision for CSR	352,583	-	488,920	-
	14,706,534	**25,411,438**	**11,786,226**	**23,776,247**

Note no: 20

Trade payables

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Sundry creditors	300,448,246	-	219,776,795	-
	300,448,246	**-**	**219,776,795**	**-**

Note no: 21

Borrowings

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	62,329,707	3,246,563,346	113,531,772	2,739,204,846
Trust Receipt Loan	3,044,360	-	42,060,000	-
Bridge Gap Loan	471,450,000	-	52,500,000	-
Short term loan	138,488,539	-	173,202,940	-
Overdraft	31,770,499	-	31,601,744	-
	707,083,105	**3,246,563,346**	**412,896,456**	**2,739,204,846**

1) Details of Security

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 33.88 million (As at 31st Ashadh, 2077 - NPR 101.65 million) with International Financial Corporation (IFC). The loan is secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project. All these assets are classified as "Service Concession Arrangement Intangibles".

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 8.16 million (As at 31st Ashadh, 2077 - NPR 21.14 million) and bridge gap loan/overdraft facility aggregate to NPR 43.45 million (As at 31st Ashadh, 2077 - NPR 60.77 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rastriya Banijya Bank. During the year, Bridge Gap Loan facility has been obtained from Nepal Investment Bank Ltd. with consent of consortium banks in order to finance for repair of the damanged plant structures due to flood. These loans along with overdraft facility are secured as charge by way of hypothecation on entire project of Khudi project, all receivable of PPA, Current account, Bills and Receivables of subsidiary KHL, ranking paripassu among bankers.

c. The Group has entered into consortium arrangement for term loan aggregate to NPR 3,569.78 million (As at 31st Ashadh, 2077 - NPR 2,581.43 million) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Sunrise Bank Limited and HIDC Limited. Himalayan bank exited from the consortium arrangement due to it's internal corporate governance issue. Short term loan includes bridge gap loan provided during the year by the lead bank within the terms agreed in above consortium loan arrangement. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

d. Term loan aggregate to NPR 124.66 million (As at 31st Ashadh, 2077 - NPR 147.16 million) is obtained from Sunrise Bank Limited which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at Kathmandu.

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

f. Trust Receipt Loan aggregate to NPR 3.04 million (As at 31st Ashadh, 2077 - NPR 42.06 million), Working Capital Loan aggregate to NPR 138.49 million (As at 31st Ashadh, 2077 - NPR 123.34 million) and overdraft facility aggregate to NPR 31.77 million (As at 31st Ashadh, 2077 - NPR 31.60 million) is obtained from Nepal Investment Bank Limited which is secured by way of hyphothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machinery, Inventories and Trade Receivables of subsidiary NHE.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
2-3 Years	685,795,099	200,679,972
4-5 Years	351,716,656	306,625,822
6-10 Years	1,658,242,558	341,285,102
Beyond 10 years	1,045,579,131	1,936,380,756
	3,741,333,444	**2,784,971,652**

Note no: 22
Other Financial Liabilities

(In NPR)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Deferred Contract Revenue	4,762,948	-	-	-
Advance payable to JVs	73,164,040	-	31,476,564	-
Bonus Payable	24,686,032	-	19,503,059	-
Employee related accrual	30,636,027	-	23,104,312	-
Refundable Deposits of Parties	1,697,725	383,822	1,230,648	338,669
Retention money Payable	1,705,548	292,608,623	8,683,323	205,927,582
Royalty Payable	5,320,971	-	4,426,295	-
Other Payables	15,258,794	-	16,493,697	-
	157,232,085	**292,992,445**	**104,917,898**	**206,266,251**

Note no: 23

Other liabilities (current and non-current)

Particulars	As at 31st Ashadh 2078		As at 31st Ashadh 2077	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	22,359,958	920,739	24,691,509
Dividend Payable	66,471,239	-	70,427,462	-
Gratuity Payable	57,492,747	-	66,921,766	-
Advance from Customers	130,390,691	-	104,635,613	-
Statutory dues	11,486,807	-	13,606,303	-
VAT Payable	24,160,380	-	14,090,817	-
Welfare Fund Clearing Account	2,022,584	-	1,404,662	-
Other current liabilities	4,754,398	-	6,648,449	-
	297,699,808	**22,359,958**	**278,655,811**	**24,691,509**

Note no: 24

Revenue

(In NPR)

Particulars	2077-78	2076-77
Electricity Sales to NEA	485,469,959	547,228,504
Electricity Sale to Consumers	213,988,931	195,136,571
Revenue during construction phase	1,441,920,078	1,302,248,765
Sale of services	495,345,509	1,090,020,272
Total	**2,636,724,477**	**3,134,634,112**

Note no: 25

Cost of Sales

Particulars	2077-78	2076-77
Cost of Consumed Materials, Supplies and Services	241,310,224	729,767,527
Electricity Purchase	47,292,306	20,811,206
Cost incurred during construction phase	1,441,920,078	1,302,248,765
Salaries and other employee cost	267,941,488	287,772,193
Contribution to Provident and Gratuity Fund	19,737,971	22,234,171
Staff Bonus	17,351,605	13,842,459
Repair and Maintenance	40,869,839	35,440,638
Depreciation and amortization	106,087,409	107,636,608
Environment, Community & Mitigation (CSR)	23,205,336	7,388,156
Donation expenses	506,000	595,000
Vehicle running cost	4,332,894	4,227,014
Royalty	79,026,602	82,815,639
Insurance	12,913,687	11,218,436
Safety and Security	3,944,352	3,649,174
Assets written off	195,987	149,251
Miscellaneous Expenses	28,539,395	28,134,952
Bad Debts	233,355	-
Total	**2,335,408,528**	**2,657,931,189**

Note no: 26

Administrative and other operating expenses

(In NPR)

Particulars	2077-78	2076-77
Salaries and other employee cost	100,647,710	103,795,154
Contribution to Provident and Gratuity Fund	7,506,985	16,159,200
Staff Bonus - admin	7,523,638	5,484,868
Staff Welfare	2,506,858	3,908,576
Depreciation and amortization	25,458,844	27,852,169
House Rent	1,447,122	2,096,771
Vehicle Running Expenses	2,615,713	1,597,727
Printing and Stationery Expenses	4,792,770	5,603,459
Advertisement & Publicity	1,312,566	760,495
Support Staff Expenses	1,173,263	1,237,451
Gift & Donations	5,051,318	144,392
Assets Written off	317,025	182,621
Environment, Community & Mitigation (CSR)	1,042,263	1,251,720
Rates and Taxes	1,753,454	2,101,292
Office Operation and Maintainance	8,715,230	9,036,612
Traveling Expenses & Allowance	1,876,754	2,878,625
Audit fee and expenses	3,074,034	2,619,066
AGM and Board Expenses	5,399,491	5,531,041
Legal and Profesional Fees	5,481,448	5,759,724
Hospitality and Refreshment	1,026,922	1,624,512
Communication expenses	3,542,408	3,878,592
Medical expenses	537,433	-
Safety and Security	2,142,132	2,404,419
Training and Development	650,689	1,570,151
Insurance expenses	2,318,885	2,684,169
Repair and Maintenance - Admin	6,648,826	6,687,104
Bad debts	8,411,028	10,990,798
Foreign exchange loss	12,788,729	21,248,443
Miscellaneous Expenses	11,263,458	10,152,702
Overhead Charged to Projects	(5,761,161)	(5,153,091)
Total	**231,265,835**	**254,088,762**

Note no: 27

Other Income

Particulars	2077-78	2076-77
Dividend income	318,242,514	739,085,486
Income from Other Sources	343,589,383	8,991,678
House Rent	7,756,608	8,638,611
Profit/(Loss) on Sale & Write Off Fixed Assets	2,837,277	147,080
Miscellaneous Income	11,542,754	6,305,952
Insurance Claim received on Loss of Assets	-	2,691,900
Total	**683,968,536**	**765,860,707**

Note no: 28

Finance income

(In NPR)

Particulars	2077-78	2076-77
Interest income	64,657,515	31,652,083
Other finance income	-	1,067,607
Total	**64,657,515**	**32,719,690**

Note no: 29

Finance Costs

Particulars	2077-78	2076-77
Interest Expenses	51,978,966	85,162,859
Other finance cost	286,578	(280,798)
Bank Charges & Commision	517,633	1,483,185
Total	**52,783,177**	**86,365,246**

Note no: 30

Earnings Per Share	2077-78	2076-77
Profit attributable to equity holders of the parent company	336,609,438	726,251,302
Weighted average number of equity shares outstanding	29,513,605	29,513,605
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2076-77 Restated]	**11.41**	**24.61**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	29,513,605	29,513,605
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2076-77 Restated]	**11.41**	**24.61**

Note no: 31

Financial Instruments: Classifications and fair value measurements

Fair value measurements

(In NPR)

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31st Ashadh 2078	As at 31st Ashadh 2077		
Financial assets :				
Investment in equity instruments of Himal Power Limited	792,758,372	954,961,138	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Hydro Lab (P) Limited	24,253,808	19,356,942	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Jumdi Hydropower Co. Limited	-	-	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Dordi Khola Jal Bidyut Company Ltd	6,328,000	6,328,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Note no: 32

(In NPR)

RELATED PARTY DISCLOSURES

(a) Relationship

The Group is controlled by Shangri-La Energy Ltd which owns 56.30% of the company's shares.

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

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

(b) Those charged with governance

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

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

* Ministry of Energy, Water Resources and Irrigation designated Mr. Raju Maharjan, Senior Divisional Engineer, as a Director of the Company in place of Mr. Sandip Kumar Dev, Joint Secretary.

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

Nature of Expense	Current year	Previous year
Meeting Allowances	1,860,000	1,584,000
Communication, IT and Transportation	1,314,000	911,000

(c) Transactions with key management personnel

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Short-term employee benefits	8,767,642	10,118,239

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	575,622	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	185,120	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	1,253,170	-	(39,025)	-
Kabeli Energy Limited	Reimbursement of rent and utilities	1,240,451	1,848,666	-	-
Lamjung Electricity Development Company Limited	Payment for Development fees	-	-	236,198	236,198
SCHPI	Income from Rent, Electricity and Generator Charges	-	-	1,405,979	1,405,979

Note no: 33

Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Currency	Amount	Expiry Date(A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	NPR	163,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	NPR	14,000,000	12/15/2021
3	Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	NPR	135,000,000	3/18/2026
4	Everest Bank Limited	As per the requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority.	NPR	18,000,000	9/13/2022
5	Everest Bank Limited	As per the requirement for application of EXIM Code from Department of Customs,Tripureshwor, Kathmandu for	NPR	300,000	7/14/2022
6	Nepal Investment Bank	Advance Payment Guarantee	NPR	302,106,331	Various Dates
7	Nepal Investment Bank	Advance Payment Guarantee	USD	46,909	Various Dates
8	Nepal Investment Bank	Bid Bond	NPR	48,738,000	Various Dates
9	Nepal Investment Bank	Performance Bond	NPR	194,116,688	Various Dates
10	Nepal Investment Bank	Performance Bond	USD	42,606	Various Dates
11	Nepal Investment Bank	Performance Bond	EURO	34,432	Various Dates

B. Corporate Guarantee

The company has no any corporate guarantees as on the reporting date.

C. Preference Dividend

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

Name	Preference Shares (NPR)	Accumulated Dividend		Dividend Payout up to F/Y 2076/77	Total Cumulative Dividend (NPR)
		Up to F/Y 2076/77	F/Y 2077/78		
SCPHI	24,000,000	35,895,757	2,289,600	7,327,200	**30,858,157**
LEDCO	50,000	85,547	4,770	15,265	**75,052**
Total	**24,050,000**	**35,981,304**	**2,294,370**	**7,342,465**	**30,933,209**

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 9.54% (average consortium loan rate of 7.04% plus 2.5%).

The cumulative dividend upto the current financial year is NPR 30,933,209 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

D. Contingent Liabilities

i) Royalty and Tax exemption regarding additional 4.3 MW project in Andhikhola

The group has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has filed writ petition at Supreme Court for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the group applies existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 40.07 million considering the period since commencement date till Ashadh end 2078. DoED has claimed the royalty for newly added 4.3MW project at Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to BPC. As of 15th July 2021, NEA has deducted NRs 3,44,98,322 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements.

ii) Income tax matters

The inland revenue department has opened self-assessment returns filed by the Group for the financial years 2069-70 and demanded additional tax of NRs. 2,609,716.72. The Group has contested the demands as not payable and filed application for administrative review. The Group has deposited amount of NRs. 2,697,753 against the appeal with the department. The Group has created contingent liability of NRs. 2,697,753 against this matter. The Group has applied for withdrawal of administrative review to Inland Revenue Department through a letter dated 2077.11.26 as per the 64th BOD decision dated 2077.11.25. The application is under review as on the date of the authorization of financial statements.

E. Capital Commitments

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

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

ii. 139.2-MW Lower Manang Marsyangdi Hydropower Project

The Group has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.199 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR. Group's part of capital commitment on this project is NPR 1035 million for 19.40% shareholding.

iii. 7.9-MW Chino Khola Hydropower Project

The Group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development and optimized to 7.9 MW capacity. A consent for PPA has been received from NEA as required for the process of Generation License.EIA report has been submitted to MOEWRI after incorporating the comments of review committee. NPR.31 million has been spent by the Group for this project as on reporting date. Group's part of capital commitment on this project is NPR 210 million for 70% shareholding.

iv. 159.62 MW Mugu Karnali Hydropower Project

The Group has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing. NPR.55.5 million has been spent by the Group for this project as on reporting date. This project being an initial state has not yet been concluded for capital commitment.

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

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. Group's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which the group has invested NPR 137.5 million as on reporting date.

vi. 135 MW Manang Marsyangdi Hydropower Project (M1)

Group has acquired 100% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. Group's part of capital commitment on this project is NPR 1203 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 139.5 million for this project as on reporting date.

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

Group has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. PDA is on process of negotiation. Group's part of capital commitment on this project is NPR 2,538 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 777.90 million for this project as on reporting date.

viii. Marsyangdi Transmission Project (MTP)

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

ix. New RAS Software Development

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

x. 7 MW Solar Power Project at Jhimruk Area

Group has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7MW Solar Power Project (SPP) at total estimated project cost of Rs. 600 million and application submitted to DOED to obtain the Electricity Survey License for the same to carry out the Feasibility and Environmental Studies. Capital commitment for this project is Rs.150 million consdering debt equity ratio at 75:25.

Note no: 34

Non-controlling interests

(In NPR)

Particulars	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Balance at beginning of year	207,631,757	219,820,396
Profit for the year	(26,865,229)	(14,639,937)
Other comprehensive income	-	-
Dividends to shareholders	(1,766,762)	(1,325,072)
Transfer to Retained Earnings	(56,795)	304,659
Issue of share in subsidiaries	-	-
Prior Period Adjustment	-	3,471,711
Balance at end of year	**178,942,971**	**207,631,757**

Details of non-wholly owned subsidiaries that have non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non controlling interests		Profit (loss) allocated to non controlling interests		Accumulated non-controlling interests	
	As at 31st Ashadh 2078	As at 31st Ashadh 2077	As at 31st Ashadh 2078	As at 31st Ashadh 2077	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Nepal Hydro & Electric Limited	48.70%	48.70%	(37,701,920)	(18,163,862)	46,787,787	84,489,707
Hydro-Consult Engineering Limited	20.00%	20.00%	4,687,785	6,260,908	25,453,415	22,532,392
Khudi Hydropower Limited	40.00%	40.00%	6,528,528	(2,269,617)	88,349,042	81,820,514
Nyadi Hydropower Limited	1.81%	1.81%	(379,622)	(467,365)	18,352,727	18,789,144
			(26,865,229)	**(14,639,936)**	**178,942,971**	**207,631,757**

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

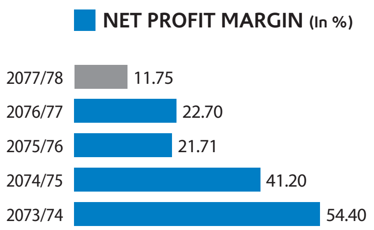
Nepal Hydro & Electric Limited	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Non-current assets	283,654,518	288,814,093
Current assets	499,696,503	486,803,471
Non-Current Liabilities	1,821,567	24,343,752
Current Liabilities	496,122,054	440,270,539
Equity attributable to owners of the Company	159,547,157	158,517,629
Non-controlling interests	151,456,124	150,478,805
Revenue	306,227,937	878,343,617
Total Cost	331,823,818	876,336,778
Profit for the year	**(25,595,881)**	**2,006,839**
Profit attributable to owners of the Company	(13,130,891)	1,029,524
Profit attributable to the non-controlling interests	(12,464,990)	977,315
Other comprehensive income for the year	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**(25,595,881)**	**2,006,839**
Total comprehensive income attributable to owners of the Company	(13,130,891)	1,029,524
Total comprehensive income attributable to the non-controlling interests	(12,464,990)	977,315

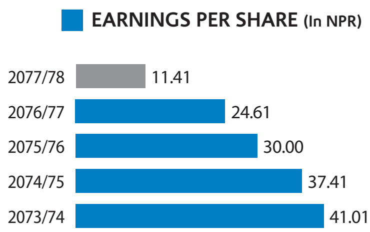
Hydro-Consult Engineering Limited	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Non-current assets	15,106,360	
Current assets	197,522,460	168,919,476
Non-Current Liabilities	256,287	254,497
Current Liabilities	48,434,620	41,361,048
Equity attributable to owners of the Company	110,080,349	92,196,698
Non-controlling interests	27,519,900	23,049,018
Revenue	222,934,443	227,707,978
Total Cost	196,596,779	196,519,585
Profit for the year	**26,337,664**	**31,188,393**
Profit attributable to owners of the Company	21,070,160	24,950,748
Profit attributable to the non-controlling interests	5,267,504	6,237,645
Other comprehensive income for the year	**-**	**-**
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**26,337,664**	**31,188,393**
Total comprehensive income attributable to owners of the Company	21,070,160	24,950,748
Total comprehensive income attributable to the non-controlling interests	5,267,504	6,237,645

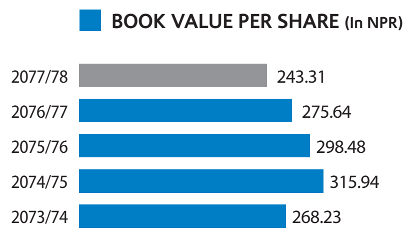
Khudi Hydropower Limited	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Non-current assets	308,919,328	326,873,433
Current assets	26,584,560	23,129,839
Non-Current Liabilities	38,216,167	51,576,706
Current Liabilities	88,299,278	104,436,538
Equity attributable to owners of the Company	116,394,017	122,982,986
Non-controlling interests	77,596,012	81,988,657
Revenue	61,745,302	63,390,341
Total Cost	46,746,889	74,371,955
Profit for the year	**14,998,413**	**(10,981,614)**
Profit attributable to owners of the Company	8,999,048	(6,588,968)
Profit attributable to the non-controlling interests	5,999,365	(4,392,646)
Other comprehensive income for the year	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**14,998,413**	**(10,981,614)**
Total comprehensive income attributable to owners of the Company	8,999,048	(6,588,968)
Total comprehensive income attributable to the non-controlling interests	5,999,365	(4,392,646)

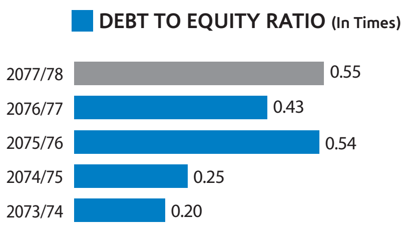
Nyadi Hydropower Limited	As at 31st Ashadh 2078	As at 31st Ashadh 2077
Non-current assets		
Current assets	98,162,918	387,187,113
Non-Current Liabilities	3,423,129,038	2,745,601,564
Current Liabilities	678,668,812	218,223,139
Equity attributable to owners of the Company	1,008,912,390	1,038,242,203
Non-controlling interests	18,631,577	19,173,211
Revenue	1,441,920,078	1,302,248,765
Total Cost	1,463,892,315	1,328,987,912
Profit for the year	**(21,972,237)**	**(26,739,147)**
Profit attributable to owners of the Company	(21,573,833)	(26,254,309)
Profit attributable to the non-controlling interests	(398,404)	(484,838)
Other comprehensive income for the year	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**(21,972,237)**	**(26,739,147)**
Total comprehensive income attributable to owners of the Company	(21,573,833)	(26,254,309)
Total comprehensive income attributable to the non-controlling interests	(398,404)	(484,838)

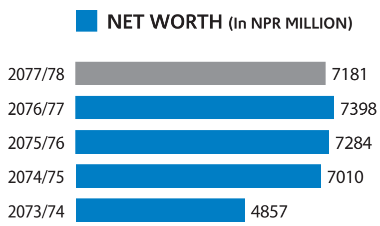
GROUP CONSOLIDATED **FINANCIAL HIGHLIGHTS**

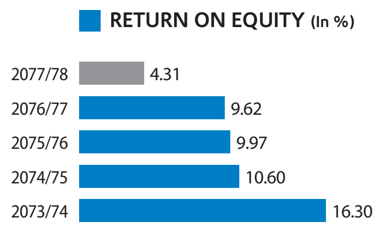


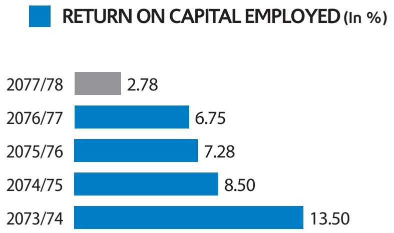


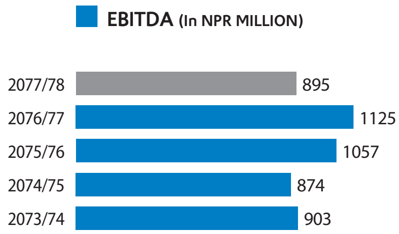


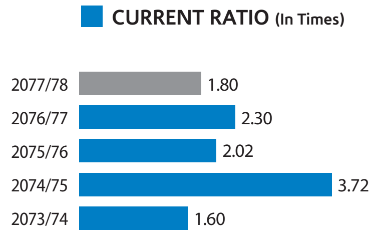


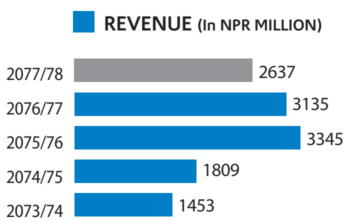


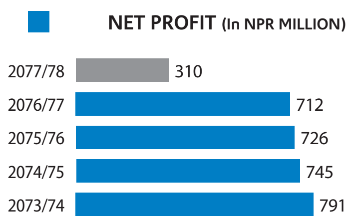


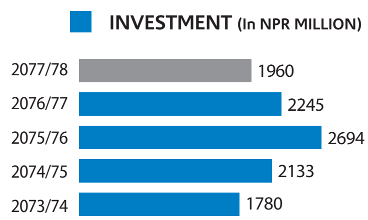












STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

As on 31st Ashadh 2078 (15th July 2021)

(In NPR)

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
ASSETS					
Non-Current Assets					
Property, plant and equipment	11,884,009	387,218	11,014,330	8,943,149	129,745,976
Capital work-in-progress	-	-	-	-	27,146,602
Intangible assets	617,443	300,529,317	-	-	807,319
Intangible assets under development	-	-	4,996,605,083	-	-
Financial assets					
Other investments	-	6,328,000	-	-	-
Trade receivables	-	1,674,793	-	-	90,631,063
Other financial assets	88,490	-	-	-	16,018,051
Deferred-tax assets	2,516,418	-	-	-	19,305,507
Other non-current assets	-	-	1,587,249	-	-
Total Non-Current Assets	**15,106,360**	**308,919,328**	**5,009,206,662**	**8,943,149**	**283,654,518**
Current Assets					
Inventories	-	2,814,233	-	-	43,398,452
Financial assets					
Trade receivables	65,382,456	7,984,234	-	-	244,393,125
Cash and cash equivalents	70,840,715	9,885,318	13,708,905	2,547,128	(34,509,365)
Bank balance other than cash and cash equivalents	-	600,963	4,691,982	14,000,000	19,029,000
Other financial assets	50,474,304	264,599	5,613,442	-	162,482,505
Other current assets	4,339,775	1,923,962	74,148,589	25,500	21,397,279
Current tax assets (net)	6,485,209	3,111,250	-	55,381	43,505,506
Total Current Assets	**197,522,459**	**26,584,559**	**98,162,918**	**16,628,009**	**499,696,502**
Total Assets	**212,628,819**	**335,503,887**	**5,107,369,580**	**25,571,158**	**783,351,020**
EQUITY AND LIABILITIES					
Equity					
Equity	14,723,100	84,000,000	1,095,000,000	10,000,000	139,530,000
Other Equity	149,214,813	124,988,442	(89,428,270)	6,561,478	145,877,400
Total Equity	**163,937,913**	**208,988,442**	**1,005,571,730**	**16,561,478**	**285,407,400**
Liabilities					
Non-Current Liabilities					
Financial liabilities					
Borrowings	-	8,160,000	3,128,334,022	-	-
Other financial liabilities	-	-	292,608,623	-	383,822
Provisions	256,287	1,475,855	2,186,393	-	1,437,745
Deferred tax liabilities	-	28,580,312	-	276	-
Total Non-Current Liabilities	**256,287**	**38,216,167**	**3,423,129,038**	**276**	**1,821,567**

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
Current Liabilities					
Financial liabilities					
Borrowings	-	43,447,571	441,450,000	-	173,303,398
Trade payables	11,400,819	6,999,689	229,355,773	-	28,147,522
Other financial liabilities	15,726,218	6,314,485	7,030,296	9,008,431	84,409,145
Provisions	10,881,418	-	-	-	177,699
Other current liabilities	10,426,165	31,537,533	832,743	973	210,084,290
Current tax liabilities (net)	-	-	-	-	-
Total Current Liabilities	**48,434,620**	**88,299,279**	**678,668,812**	**9,009,404**	**496,122,054**
Total Liabilities	**48,690,907**	**126,515,446**	**4,101,797,850**	**9,009,680**	**497,943,621**
Total Equity and Liabilities	**212,628,820**	**335,503,888**	**5,107,369,580**	**25,571,158**	**783,351,021**
Net Worth Per Share	**1,113.47**	**248.80**	**91.83**	**165.61**	**204.55**

STATEMENT OF PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME OF BPC SUBSIDIARIES

For the year ended 31st Ashadh 2078 (15th July 2021) *(In NPR)*

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
Revenue	222,934,443	61,745,302	1,441,920,078	25,140	306,227,937
Cost of Sales	(163,440,054)	(36,658,456)	(1,441,920,078)	(46,894)	(295,547,461)
Gross profit	**59,494,389**	**25,086,846**	**-**	**(21,754)**	**10,680,476**
Other income	4,622,570	9,082,868	-	-	2,247,033
Administrative and other operating expenses	(33,382,600)	(8,433,376)	(21,972,237)	(211,313)	(49,718,983)
Finance Income	4,194,016	153,015	-	1,163,910	614,928
Finance Costs	(22,705)	(6,493,823)	-	-	(26,831,171)
Profit from JV	-	-	-	-	37,411,836
Profit Before Tax	**34,905,670**	**19,395,530**	**(21,972,237)**	**930,843**	**(25,595,881)**
Income Tax Expense					
Current tax	(8,974,578)	(5,005,712)	-	(164,827)	-
Deferred tax credit/charge	406,572	608,595	-	(129)	-
Net Profit for the year	**26,337,664**	**14,998,413**	**(21,972,237)**	**765,887**	**(25,595,881)**
Earnings per equity share of Rs. 100 each					
Basic Earnings per share - Rs.	178.89	17.86	(2.01)	7.66	(18.34)
Diluted Earnings per share - Rs.	178.89	17.86	(2.01)	7.66	(18.34)

List of Abbreviations

ADB- Asian Development Bank
AGM- Annual General Meeting
ALC- Assets and Liabilities Committee
Alt- Alternate
AMS- Asset Management System
APG- Advance Payment Guarantee
APP- Andhikhola Power Plant
ASAI- Average Service Availability Index
ASUI- Average Service Unavailability Index
BD&P- Business Development & Project
BoD- Board of Directors
BOOT- Build, Own, Operate and Transfer
BPA- Best Presented Accounts
BPCSL- BPC Service Limited
BU- Business Unit
CAIDI- Customer Average Interruption Duration Index
CAIFI- Customer Average Interruption Frequency Index
CBA- Collective Bargaining Agreement
CEO- Chief Executive Officer
CGR- Corporate Governance Report
CIT- Citizen Investment Trust
CKHP- Chino Khola Hydropower Project
CNI- Confederation of Nepalese Industries
CNTEC- China National Technical Import & Export Corp.
CODM- Chief Operating Decision Maker
COVID-19- Coronavirus Disease
CRO- Chief Risk Officer
CSR- Corporate Social Responsibility
CWIP- Capital Work In Progress
CXIG- Chengdu Xingcheng Investment Group Co. Ltd.
DA- Daily Allowances
DAM- Day Ahead Market
DCIM- Data Centre Infrastructure Management
DDC- District Development Committee
DoED- Department of Electricity Development
DoI- Department of Industry
DR- Disaster Recovery
DSRA- Debt Service Reserve Account
EDC- Energy Development Council
EIA- Environment Impact Assessment
EMS- Environment Management System
EPS- Earning Per Share
ERC- Electricity Regulatory Commission
FC- Finance Committee
FDI- Foreign Direct Investment
FNCCI- Federation of Nepalese Chamber of Commerce & Industries
FY- Fiscal Year
GEL- Gurans Energy Limited
GoN- Government of Nepal
GPA- Group Personal Accident
GWh- Giga Watt hour
HCEL- Hydro-Consult Engineering Limited
HHCPL- Himtal Hydropower Co. Pvt. Ltd.
HIDCL- Hydropower Investment and Development Co. Ltd.
HO- Head Office
HPL- Himal Power Limited
IBN- Investment Board Nepal
ICAN- Institute of Chartered Accountants of Nepal
ICH- International Centre for Hydropower
ICT- Information Communication Technology
IESC- Independent Environment and Social Consultant
IFC- International Financial Corporation
IFRIC- International Financial Reporting Interpretations Committee
IFRS- International Financial Reporting Standard
IMS- Inventory Management System
INPS- Integrated Nepal Power System
IPO- Initial Public Offer
IPPAN- Independent Power Producers' Association Nepal
IPPs- Independent Power Producers
IRD- Inland Revenue Department
ISO- International Organization for Standardization
JDMP- Jhimruk Downstream Mitigation Project
JPP- Jhimruk Power Plant
JV- Joint Venture
KEL- Kabeli Energy Limited
KHL- Khudi Hydropower Limited
LEDCO- Lamjung Electricity Development Company Limited
LMMHEP- Lower Manang Marshyangdi Hydroelectric Project
MAN- Management Association of Nepal
MARS- Mutually Agreed Retirement Scheme
MCC- Marsyangdi Cascade Committee
MCP- Marshyangdi Cascade Project
MKHP- Mugu Karnali Hydropower Project
MMHCPL- Manang Marshyangdi Hydropower Co. Pvt. Ltd.
MMHEP- Manang Marshyangdi Hydroelectric Project
MoE- Ministry of Energy
MoEWRI- Ministry of Energy, Water Resources & Irrigation
MoFE- Ministry of Forest & Environment
MoPE- Ministry of Population and Environment
MoU- Memorandum of Understanding
MRM- Management Review Meeting
MTCL- Marsyangdi Transmission Company Pvt. Ltd.
MTP- Marsyangdi Transmission Project
MW- Mega Watt
NEA- Nepal Electricity Authority
NEPSE- Nepal Stock Exchange Ltd.
NFRS- Nepal Financial Reporting Standard
NHA- Nepal Hydropower Association
NHE- Nepal Hydro and Electric Limited
NHL- Nyadi Hydropower Limited
NHP- Nyadi Hydropower Project
NIDC- Nepal Industrial Development Corporation
NMFA- Norwegian Ministry of Foreign Affairs
NORAD- Norwegian Agency for Development Cooperation
NPR/NRs. - Nepalese Rupees
NSA- Nepal Standards on Auditing
NTA- Nepal Tunnelling Association
NVVN- NTPC Vidyut Vyapar Nigam
OHSAS- Occupational Health & Safety Assessment Series
OMM- Operation and Maintenance Management
PDA- Project Development Agreement
PEEDA- People Energy and Environment Development Association
PG- Performance Guarantee
PPA- Power Purchase Agreement
PPE- Personal Protective Equipment
PPP- Public Private Partnership
PROR- Peak Run-of-River
QCBS- Quality and Cost Based Selection
QHSE- Quality, Health, Safety and Environment
QMS- Quality Management System
QYEC- Qing Yuan Engineering Consulting Co. Ltd.
RAS- Revenue Accounting Software
RC- Remuneration Committee
RCOD- Required Commercial Operation Date
REEP- Rural Electrification and Expansion Project
RMC- Risk Management Committee
ROR- Run-of-River
SAIDI- System Average Interruption Duration Index
SAIFI- System Average Interruption Frequency Index
SCIG- Sichuan Provincial Investment Group Co. Ltd.
SEBON- Security Exchange Board of Nepal
SEL- Shangri-La Energy Limited
SIA- Social Impact Assessment
SIC- Standard Interpretations Committee
SOP- Standard Operating Procedure
SPVs- Special Purpose Vehicles
SSF- Social Security Fund
SUP- Social Upliftment Program
TA- Travel Allowance
TAM- Term Ahead Market
TMS- Total Management System
UM2HEP- Upper Marsyangdi-2 Hydroelectric Limited
UMN- United Mission to Nepal
VA- Value Added
VDC- Village Development Committee
VPN- Virtual Private Network
VPs- Vice Presidents
WB- World Bank
WIP- Work In Progress

BUTWAL POWER
COMPANY LIMITED

CORPORATE OFFICE
P.O. Box. 11728
Gangadevi Marga - 313, Buddha Nagar
Kathmandu, Nepal
Tel: 977-1-4791776, 4794026
Fax: 977-1-4790994
E-mail: info@bpc.com.np

JHIMRUK HYDROELECTRIC CENTER
Darimchaur, Pyuthan
Tel: 994860105
Fax: 994860104

ANDHIKHOLA HYDROELECTRIC CENTER
Galyang, Syangja
Tel: 977-063-460152
Fax: 977-063-460152

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

www.bpc.com.np

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BUTWAL POWER COMPANY LIMITED

www.bpc.com.np

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