



BUTWAL POWER COMPANY LIMITED

# Annual Report 2018-2019







# CONTENTS

Company Profile	04
Vision, Mission and Values	06
Strategic Goals of the Company	06
Ethical Principles	07
The BPC Code	07
Integrated Quality, Health, Safety and Environment Policy	09
Organizational Structure	09
Highlights of the Year	10
Financial Highlights	11
Board of Directors	12
Message from the Chairperson	14
Report from Board of Directors	16
CEOs' Perspective	28
Corporate Governance	30
Management Discussion & Analysis	42
Enterprise Risk Management	56
Senior Executives	60
Shareholders Information	65
Corporate Social Responsibility	66
Health, Safety & Environment	68
Sustainability	70
BPC Subsidiaries	72
Five Year Financial Summary	80
Award and Recognition	82
Our Presence	84

## **Financial Statements 2019**

Auditor's Report	86
Statement of Financial Position	88
Statement of Profit and Loss	90
Statement of Cash Flow	91
Statement of Changes in Equity	93
Notes to the Financial Statement	94

## **Consolidated Financial Statements 2019**

Auditor's Report	132
Statement of Financial Position	133
Statement of Total Comprehensive Income	135
Statement of Cash Flow	136
Statement of Changes in Equity	138
Notes to the Financial Statement	139
Group Consolidated Financial Highlights	185
Summary of Financial Position of BPC Subsidiaries	186
Summary of Profit and Loss Account of BPC Subsidiaries	187
List of Abbreviations	188

# COMPANY PROFILE

Butwal Power Company (BPC) was incorporated in 1965, standing today with 54 years of experience in the hydropower sector and has placed itself as one of the leading listed company in Nepal. Generation and distribution of electricity is its core business areas and has also been engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

Starting with electrification of a small city in the south central Nepal developing Tinau project (1 MW), BPC is the only enterprise which can look back to a five decade long history of success, sustained growth and capacity building in the country with 34 MW equivalent under operation and 50 MW under construction progress through separate SPVs.

BPC owns and operates Andhikhola (9.4 MW) and Jhimruk (12 MW) plants located in western Nepal. BPC owns majority stake in Khudi hydropower plant (4 MW). It is also constructing two hydropower projects Nyadi (30 MW) and Kabeli A (37.6 MW) through separate SPVs Nyadi Hydropower Limited and Kabeli Energy Ltd respectively. Lower Manang Marsyangdi Hydroelectric Project (LMMHEP), 140 MW, located in southern region of Manang District, is under preparation stage. Through joint venture company with three Chinese partners have acquired Upper Marsyangdi-2 Hydropower Project (327 MW) and

Manang Marsyangdi Hydropower Project (135 MW) in the Marsyangdi river downstream and upstream of LMMHEP with a view to develop them in cascade with LMMHEP.

BPC received survey license and is conducting feasibility and EIA study for 160 MW Mugu Karnali Hydropower Project (MKHP), located near Gamgadhi, the district headquarter of Mugu district. Prefeasibility study of MKHP has been completed and identified various options of PROR schemes for which the most optimum option will be chosen to carry out detail feasibility study and EIA.

BPC formed a joint venture company named, SCIG International Nepal Hydro Joint Development Company Pvt Ltd with three Chinese Companies of Chengdu, Sichuan Province, People's Republic of China. Marsyangdi cascade projects together with LMMHEP have been undertaken by the joint venture company and preparations ongoing to move the projects into construction through respective SPVs.

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

BPC established Hydro-Consult Engineering Limited (HCE) which provides consultancy services in water resource based infrastructure development respecting the local socio-ecological

## 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., Nepal Bangladesh 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 BPC

systems. It investigates designs and assists to develop hydropower projects in Nepal, Pakistan, Kenya with an excellent business results with its professionals.

BPC is implementing integrated management system with certification of ISO 9001:2015

(Quality Management System), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) recognized by the Certification Body, DNV GL (Det Norske Veritas).

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



# VISION, MISSION AND VALUES

## VISION

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

## MISSION

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

## VALUES

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

# STRATEGIC GOALS OF THE COMPANY

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

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

# ETHICAL PRINCIPLES

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

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

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

# THE BPC CODE

## 1. Abide by the applicable laws & regulations governing our business.

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

## 2. Be honest, fair and trustworthy in all business activities and relationship.

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

## 3. Avoid conflicts of interest between work and personal affairs.

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



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

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

#### **5. Strive to create a safe workplace.**

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

#### **6. Strive to protect the environment.**

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

#### **7. Corporate Social Citizenship**

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

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

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



# INTEGRATED QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

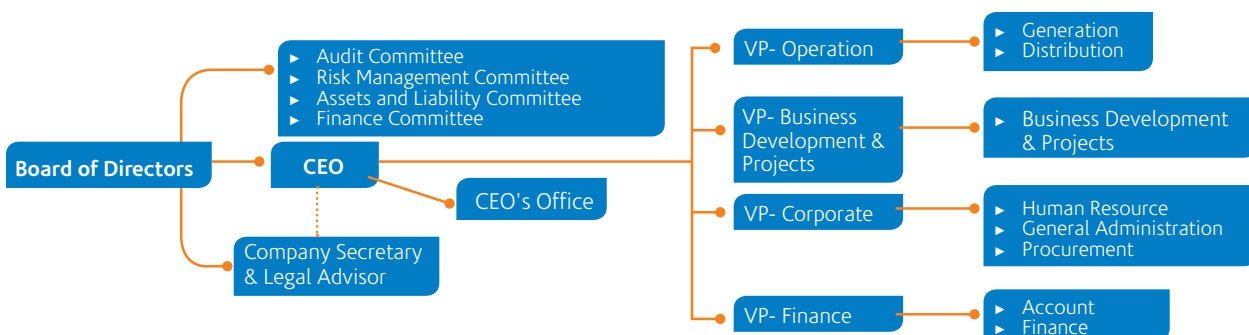
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally & socially responsible manner through:

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

## ORGANISATIONAL STRUCTURE

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

The functional organizational structure is in place viz. Operations, Business Development and Project, Finance and Corporate under the direct supervision of CEO. The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors.

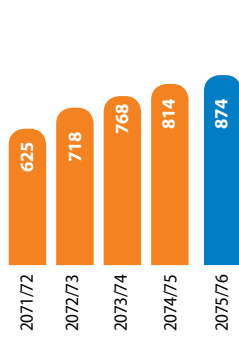


# HIGHLIGHTS OF THE YEAR

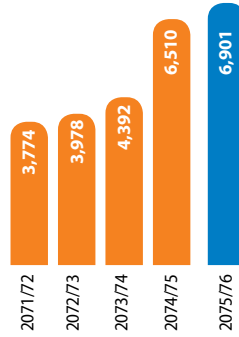
- Net worth increased by 6.0%
- Profitability increased by 8.27%
- 100% ownership acquired of Manang Marshyangdi Hydropower Company (P) Ltd for development of 135 MW Manang Marsyangdi Hydropower Project (MMHEP)
- 20% ownership acquired of Himtal Hydropower Company (P) Ltd. to develop 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP)
- Generation Licenses of MMHEP and 140 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) have been received
- 75% construction of Nyadi Hydropower Project (30MW) completed
- Number of distribution consumers under BPC's increased to 56194 with an addition of 2173 new consumers
- Human resource optimization through Mutually Agreed Retirement Scheme (MARS)
- National Best Presented Annual Report 2018 received from ICAN.

# FINANCIAL HIGHLIGHTS

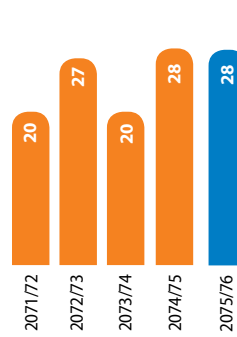
EBITDA (In NPR Million)



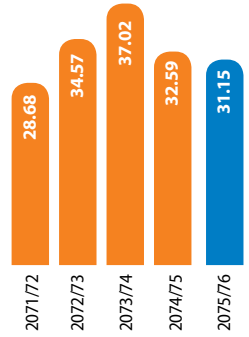
NET WORTH (In NPR Million)



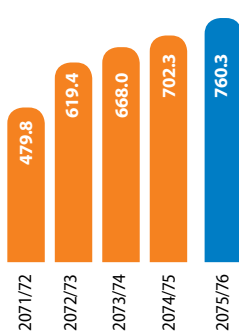
DIVIDEND PER SHARE (In NPR)



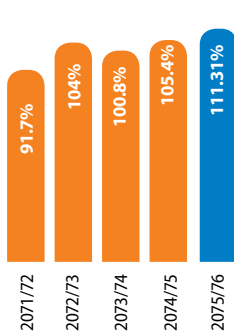
EARNING PER SHARE (In NPR)



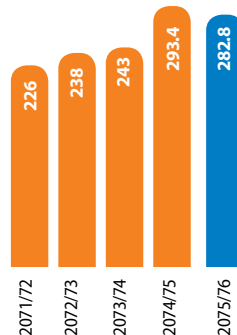
NET PROFIT (In NPR Million)



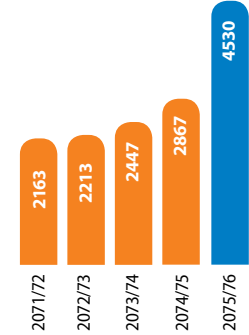
NET PROFIT MARGIN



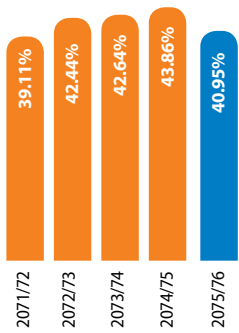
BOOK VALUE PER SHARE (In NPR)



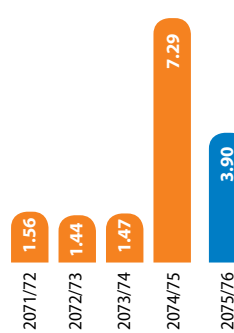
INVESTMENT (In NPR Million)



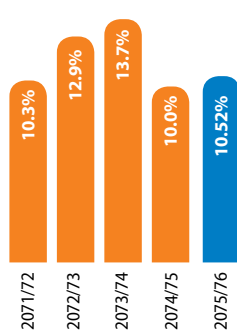
GROSS OPERATING PROFIT MARGIN



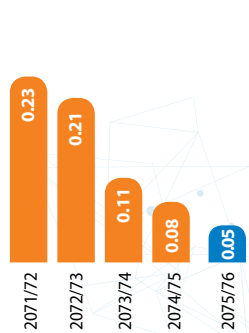
CURRENT RATIO



RETURN ON CAPITAL EMPLOYED



DEBT TO EQUITY RATIO





# BOARD OF DIRECTORS



***From left to right (standing):***

Mr. Dinesh Humagain, Director  
Mr. Bijay Bahadur Shrestha, Alternate Director  
Mr. Om Prakash Shrestha, Director  
Dr. Sandip Shah, Director  
Mr. Pradeep Kumar Shrestha, Director  
Mr. Sanjib Rajbhandari, Alternate Director

***From left to right (sitting):***

Mr. Tirtha Man Shakya, Director  
Mr. Bijaya Krishna Shrestha, Director  
Mr. Padma Jyoti, Chairman  
Mr. Sandip Kumar Dev, Director





“

The government has taken certain policy and legal reform initiatives for attracting investment in the hydropower sector and providing level playing field to the private sector to meet its target generation of 15000 MW in ten years.

”

# MESSAGE FROM CHAIRPERSON

The history is always in the process of making. The year 2018/19 has been recorded as a successful year in the history of the Company with the increase in net profit by 8.27% and investments by 70.19% by maintaining earnings per share at NPR 31.15 and declaring 28% dividend to shareholders, which is the highest declaration in the category of hydropower companies in Nepal.

The journey ahead of the Company is challenging in terms of maintaining the aspiration of shareholders and materializing its growth prospects. The construction of 30MW Nyadi Hydropower Project is in the verge of completion. The construction of 37.6MW Kabeli-A Hydroelectric Project has been halted due to termination of contract agreement with civil and hydro-mechanical works owing the non-performance of the contractor. Marsyangdi Cascade Projects(MM, LLM and UM2) are at the stage of PPA, PDA and financial closure. 160 MW Mugu Karnali Hydropower Project is under study phase. Khimti-I Hydroelectric Project has been a major source of revenue for BPC, which will be diluted after July 2020 under the requirement of transferring of 50% ownership interest in this project to NEA and signing of new PPA. The Company has initiated reform in the corporate governance of the Company in line with the Listed Companies Corporate Governance Guidelines, 2074.

The contribution of private sector for hydropower development in Nepal is noteworthy as more than 50% of the total generation capacity is developed by the private sector. However, the electricity transmission and distribution is almost monopolized by the government through its undertaking Nepal Electricity Authority (NEA). The recently set up Electricity Regulatory Commission is expected to work out and create an environment for private sector to be involved in, and compete with NEA for providing quality supply of electricity to the end users. This would help in increasing the diversified use of electricity by the end users. Independent Power Producers (IPPs) from private sector have aimed to export electricity to neighboring countries like India and Bangladesh through the power trading company as the additional electricity expected to be generated is at risk of going to waste. The establishment of such company may increase competitiveness and break monopoly of Nepal Electricity Authority in power trading.

The government has taken certain policy and legal reform initiatives for attracting investment in the hydropower sector and providing level playing field to the private sector to meet its target generation of 15000 MW in ten years. The implementation and service delivery part of the government is not at the expected level of the private sector. The government has also involved in developing hydropower projects by itself or through its undertaking and companies instead of timely building transmission facilities, which has badly affected some of the hydropower projects. Uninterrupted expansion and strengthening of transmission lines including cross border links are vital. The difficulty in land acquisition and site disturbances backed by political actors still exist. Due to lack of clarity in newly issued hedging regulation and regulatory requirements, the investors are having difficulty in concluding PPA timely and getting approvals and permits. The active support of government, government undertaking and its bureaucratic machinery in shortening gestation period of hydropower projects, approval process and time, and concluding PPA and PDA would be helpful to the private sector.

In the above scenario, the Company has to grow and serve its shareholders and the country. The further improved investment climate and effective service delivery of government would be instrumental in delivering the results by the Company in future. Further, the continued confidence and cooperation accorded to the Company by its shareholders, partners, stakeholders is the key for achieving the desirable growth of the Company. I would like to extend sincere thanks to all of them.

**Padma Jyoti**  
Chairman





# REPORT FROM BOARD OF DIRECTORS

Dear Shareholders,

It is our great pleasure to present this Report of the Board of Directors, 2019 in this 27th Annual General Meeting of the Company.

You would be happy knowing that the Company has succeeded to increase its net profit by 8.3% in F/Y 2075/076 compared to the net profit of previous year. The increase is mainly due to increase in income from investments. The overall business performance results are satisfactory although the Company has been facing difficulty in some business segments. The operating power plants and distribution business of the Company performed satisfactorily this year too. The subsidiary and associate companies generating the electricity performed well. However, Khudi Power Plant (4MW) has been flood hit in the current year. The income from investments will be affected for few years after 2020 because of the requirement of transfer of 50% ownership interest in Khimti-1 Hydropower Project to Nepal Electricity Authority (NEA).

The progress of two under construction projects is mixed. The construction works of Nyadi Hydropower Project are in the advance stage and in line with its construction schedule. However, transmission line is the only critical factor for this project. The construction works of Kabeli-A Hydroelectric Project have been suspended upon termination of its contract agreement of civil and hydromechanical works by the project company. However, the project company is working on rejuvenating this project.

The projects under the development phase are optimistically in progressive path. The utmost priority has been given for development activities of three projects in Marsyangdi River namely Manang Marsyangdi Hydropower Project (MMHP), Lower Manang Marsyangdi Hydropower Project (LMMHP) and Upper Marsyangdi -2 Hydropower Project (UM2HP). These projects are being developed as cascade projects in joint venture with credible Chinese companies from Chinese government and private sector with 20% equity ownership stake of the Company.

“  
The utmost priority has been given for development activities of three projects in Marsyangdi River namely Manang Marsyangdi Hydropower Project (MMHP), Lower Manang Marsyangdi Hydropower Project (LMMHP) and Upper Marsyangdi -2 Hydropower Project (UM2HP).  
”

The studies of 8MW Chino Khola Hydropower Project have been completed. This project is expected to supply construction power to the Marsyangdi cascade projects. The performance of engineering services segment is very good.

Mutually agreed retirement scheme has been successfully implemented to streamline human resources base in the Company. Institute of Chartered Accountants of Nepal (ICAN) has given "Best Presented Annual Account Award, 2018" to the Company.

## Performance Review

### FINANCE

The Company earned gross operating profit of Rs. 279.72 million in F/Y 2075/076 from the sale of electricity to NEA and the electricity sale and services to the consumers after deducting the generation and distribution expenses, and it is a decrease of 4.29% compared to the

gross operating profit of previous year. However, after including other financial income and dividend income and deducting administrative expenses, the profit before taxes stands at Rs. 844.94 million, which is an increase of 12.63% compared to previous year. The increase is mainly due to increase in the financial income and dividend income. The net profit after tax stands at Rs. 760.33 million which is an increase of 8.27% compared to the previous year's net profit of Rs. 702.26 million. The financial highlights of the Company are briefly summarized below.

The increase in group revenue by 20.14% and cost of sales by 35.54% is mainly due to work in progress of Nyadi Hydropower Project shown in the profit and loss account. The decrease in gross profit by 20.53% is due to implementation

of mutually agreed retirement scheme and major repair and maintenance works carried out in Khudi Hydropower Project. The group net profit has increased by 4.14% mainly due to increase in financial income. Further, the group earning per share is Rs. 33.56, which was Rs. 31.18 in previous year.

## Operations

### GENERATION BUSINESS

The Company owns and operates 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. Both plants have been operated satisfactorily and generated 137.56 GWh in comparison to last year's generation of 133.82GWh. Out of total available energy, 72.73% energy was supplied to NEA and 27.10% to distribution business of the Company.

### FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

Particulars	FY 2075-76	FY 2074-75	% Change
Electricity sale to NEA	486.83	477.10	2.04%
Electricity sale and services to consumers	196.24	189.27	3.68%
Generation expense	266.31	263.26	1.16%
Distribution expense	137.04	110.85	23.62%
Gross profit	279.72	292.25	-4.29%
Other income including dividend received	613.71	551.96	11.19%
Administrative and other expenses	164.25	126.15	30.21%
Profit before interest and taxes	735.03	723.0	1.66%
Profit before taxes	844.94	750.20	12.63%
Net profit after tax	760.34	702.26	8.27%
Investment in other companies	4,530.30	2,661.93	70.19%
Earnings per share (in Rs.)	31.15	32.59	
Net worth (Equity)	6,901.28	6,510.20	6.01%

### THE GROUP CONSOLIDATED FINANCIAL STATUS FOR THE YEAR IS AS UNDER:

(in million NPR unless specified)

PARTICULARS	FY 2075-76	FY 2074-75	% Change
Revenue	2,172.88	1,808.57	20.14%
Cost of sales	1,778.27	1,312.0	35.54%
Gross Profit	394.61	496.57	-20.53%
Profit before interest and taxes	766.32	828.64	-7.31%
Profit before tax	874.54	820.44	6.59%
Profit after tax	770.66	745.36	4.14%
Profit attributable to owners of parent	755.29	723.19	5.21%
Profit attributable to non-controlling interest	15.37	22.17	-30.69
Earning Per Share	30.95	33.56	
Net worth	7,405.82	7009.74	5.73%

**Andhikhola Power Plant** generated 68.05 GWh with plant factor of 82.64%. The generation increased by 4.49% (2.92 GWh) compare to previous year, which was due to increase in water flow in the Andhikhola River and outage control by the operation team. Out of total available energy, 36.85 GWh (54.15%) was supplied to NEA including Kaligandaki compensation of 3.17 GWh, and 30.30 GWh (44.53%) to the distribution business of the Company.

**Jhimruk Power Plant** generated 69.51 GWh with plant factor of 66.12%. The generation increased by 1.18 % (0.81 GWh) compared to previous year. Out of total available energy, 63.20 GWh (90.93 %) was supplied to NEA and 6.97 GWh (10.03 %) to the distribution business of the Company. 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. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works were

carried out to protect the project area and farmers' land.

## Distribution Business

The total energy purchased from Generation business during the year was 37.275 GWh which is about 1.7% more than that of previous year. Increase in purchase is due to the increase in the number of consumers, which is an increase of 4.02% in the consumer base. A total of 2,173 new consumers were added in the distribution network of the Company and the total consumer base has reached to 56,194 at the end of FY 2075/076. This year 31.483 GWh energy was sold to consumers and 0.071 GWh was consumed in the staff quarters and distribution offices. The total sale has slightly increased by 2.76% compared to the sale of previous year, which is mainly due to increase in consumers.

## Subsidiary and Associates

### INVESTMENT PORTFOLIO OF THE COMPANY AS ON END OF ASHADH 2076

The Company has made equity investment in the following companies, which is presented at cost and at fair value as follows:

#### INVESTMENT PORTFOLIO

Name of company	No. of shares	Holding (%)	Investment at Cost (Rs.)	Investment at Fair Value (Rs.)
Himal Power Limited	2,978,502	16.88	434,931,461	1,175,049,485
Nepal Hydro & Electric Limited	715,800	51.30	71,580,000	-
Khudi Hydropower Limited	504,000	60.00	50,400,000	-
Khudi Hydropower Limited (Preference Share)	576,000	-	57,600,000	-
Nyadi Hydropower Limited	10,751,453	98.18	1,075,145,300	-
Kabeli Energy Limited	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Limited	117,785	80.00	11,778,500	-
Manang Marshyangdi HPC (P) Ltd.	885,960	100.00	564,173,790	-
BPC Services Limited	100,000	100.00	10,000,000	-
Hydro Lab (P) Limited	10,000	10.73	1,000,000	17,254,939
Himtal Hydropower Co. (P) Ltd.	601,300	19.40	777,902,830	-
Marsyangdi Transmission Co. (P) Ltd.	6,406	19.40	10,346,245	-
Gurans Energy Limited	3,319,836	40.00	331,983,600	-
Convertible Loan to Kabeli Energy	-	-	1,260,044	-
SCIG Int'l Nepal Hydro Joint Venture Development Company (P) Ltd.	-	-	93,520,876	-
<b>Total</b>	<b>23,533,902</b>		<b>3,788,308,646</b>	<b>1,192,304,424</b>

**THE FINANCIAL PERFORMANCE HIGHLIGHTS OF THE SUBSIDIARY AND ASSOCIATE COMPANIES ARE AS UNDER:**

Name of company	Net Profit (In million NPR)	Increase (decrease) in net profit	Net Worth (in Million NPR)	Earning Per Share (Rupees in NPR)	Book Value Per Share (Rupees in NPR)
Himal Power Limited	3,432.7	14.2%	6,959.7	194.6	394.5
Nepal Hydro & Electric Limited	info. not available				
Khudi Hydropower Limited	26.75	-3.4%	205.0	31.85	244.0
Kabeli Energy Limited	16.05	400.7%	1,085.8	-	100.1
Nyadi Hydropower Limited	-15.0	-121.3%	1,057.7	-	96.6
Hydro-consult Engineering Limited	25.6	-3.8%	121.9	174.0	827.7
BPC Services Limited	0.92	-21.7%	15.0	9.2	149.8
Hydro Lab (P) Limited	13.66	43.5%	107.0	146.6	1148.5
Gurans Energy Limited	-6.26	-8.2%	794.0	-	95.7
SCIG International Nepal Hydro Joint Development Co. Pvt. Ltd.	-37.7	-245.2%	1,551.0	-	99.2

The Company received a total of Rs. 578,954,023 as dividend in FY 2075/76 from the following subsidiary and associate companies:

Name of Company	Dividend Amount in RS. (from the profit of FY 2075/076) Rs.
Himal Power Limited	556,587,033
Hydro-Consult Engineering Limited	4,711,930
Khudi Hydropower Limited (Dividend in Preference Shares)	16,705,060
BPC Services Limited	950,000
<b>Total</b>	<b>578,954,023</b>

The financial performance of Himal Power Limited, Khudi Hydropower Limited, Hydro-Consult Engineering Limited, Hydro Lab Pvt. Ltd. and BPC Services Limited were good and their earning per share in FY 2075/076 is Rs.194.6, Rs. 31.85, Rs.174.0, Rs.146.6 and Rs, 9.2 respectively.

## PROJECTS

**30 MW Nyadi Hydropower Project (NHP)** is a run of the river project located in Marsyangdi Rural Municipality, Lamjung District, Gandaki Province. NHP will generate 168 GWh annually after start of its commercial operation. The subsidiary company Nyadi Hydropower Limited (NHL), owns NHP. The Company has 98.18% ownership stake

in NHL, which will be maintained at 71.67% after Initial Public Offering. The construction works of main structures of NHP was started on March 23, 2017. The overall construction progress of NHP is around 75% as on November end 2019. The progress of NHP is within the construction schedule and budget. The performance of contractors and consultants is satisfactory. NHP has received full support from local people, local government, banks and other stakeholders. However, due to delay in the construction of substation and transmission facilities by NEA, NHL had to make alternate plan for evacuation of power from NHP by constructing additional 3 km long transmission line up to the existing transmission line of NEA near the powerhouse of Upper Marsyangdi Powerhouse, about one year ago to mitigate the risk of power spill. The alternate plan is under implementation and NHL is working hard optimistically to meet the target to generate electricity from NHP within the required commercial operation date of April 18, 2020.

**37.6 MW Kabeli-A Hydroelectric Project (KAHEP)** is a peaking run of the river project located in Panchthar and Taplejung Districts, Province 1. KAHEP will generate 205 GWh annually after start of its commercial operation. Kabeli Energy Limited (KEL) owns KAHEP. The Company has 26% direct and 27.3% indirect

ownership stake in KEL. The construction of main structures of KAHEP was started on March 23, 2017. The generated power will be evacuated through 132kV Kabeli Corridor Transmission line funded by World Bank and being constructed by NEA. The project has constructed 24 km access road to connect the project sites with Mechi Highway. All required lands have been acquired, and the Contractor camps and facilities at headwork site and power house sites have been built. Access tunnel excavation work has been completed. Out of 4.5 k.m. long headrace tunnel, the excavation of 1 km from headwork site has been completed. The EPC contractor for civil and hydro-mechanical works was unable to comply with the construction standards and achieve the scheduled progress. The EPC contractor could not meet the requirements despite several instructions and follow ups. KEL terminated the contract agreement with EPC contractor in April 2019 as per the recommendation of both Owners and Lender's Engineer. All construction related works at project site have been suspended for the time being. KEL has claimed and received Advance Payment Guarantee amount. But, the claim of Performance Bond has been challenged by the EPC contractor in Singapore court and the claimed amount of USD 7.6 million has been deposited in the Singapore court by the EPC Contractor as per the order of the Singapore court. KEL has prepared bidding documents for bidding to appoint new contractor for the remaining civil and hydro-mechanical works of the KAHEP. Further, KEL has initiated the process of extension of WB loan, which is under consideration of the GON for more than last eight months.

**140 MW Lower Manang Marsyangdi Hydropower Project (LMMHP)**, is located in Nashong Rural Municipality of Manang District, Gandaki Province. After completion of studies, the Generation License of LMMHP has been obtained from DoED on Kartik 18, 2075. The Connection Agreement of LMMHP was signed with NEA in 2075 for 104 MW. For LMMHP to develop as one of the cascade projects in Marsyangdi basin, this project has been optimized at 139.2 MW as peaking run of the river (PRoR) project with a view to use the tailrace water from Manang Marsyangdi Project.

DoED has granted consent to make this project PRoR and adjustment of project boundaries upstream and downstream of the project. The Connection Agreement of LMMHP needs to be amended as per the optimized capacity. Further, the Supplementary EIA is also required to be carried out and the process of taking approval for carrying out the Supplementary EIA is ongoing. Power evacuation of the project will be made through NEA's under-construction 220 kV Marsyangdi corridor transmission line interconnecting at 220 kV Manang hub located at Ghalanchowk village of Nashong Rural Municipality. The discharge measurement, gauge reading, sediment sample collection and analysis are ongoing as regular activities. A Joint Venture Agreement for Equity Participation has already been signed between the Company and the Chinese partners on 6th February 2018 for development of this project through jointly venture. The registration of new SPV for this purpose is ongoing.

**282 MW Manang Marsyangdi Hydropower Project (MMHP)** is located in Manang District of Gandaki Province. This project is being developed by Manang Marsyangdi Hydropower Company Pvt. Ltd. (MMHCPL). The Company acquired 100% ownership of MMHCPL with a view to develop the project together with the Chinese partners. Accordingly, the Share Purchase Agreement and Shareholders Agreement has been signed with Chinese partners. The Company will have 20% equity interest in MMHP. The Generation License of MMHP has been received. The Connection Agreement of MMHP was signed for 144 MW and this has been amended to 135 MW with the re-optimization of this project at 135MW installed capacity as PROR project as per the PPA requirement of NEA, after getting consent of DoED. An application has been submitted to DoED to amend the Generation License of this project as peaking run of the river project. The construction of camp facilities and access road of this project is ongoing. MMHP is in the process of getting approval for carrying out its Supplementary EIA.

**600 MW Upper Marsyangdi-2 Hydropower Project (UM2HP)** is a peaking run of the river (PRoR) project located in Lamjung and Manang

Districts of Gandaki Province. This project is being developed by Himtal Hydropower Company Pvt. Ltd. (HHCPL). The Company in joint venture with Chinese partners has acquired this project to develop together with two upstream projects namely Manang Marsyangdi Hydropower Project and Lower Manang Marsyangdi Hydropower Project. The Company has 20% equity interest in UMHP. The Project Development Agreement (PDA) of this project is in the process of negotiations with Investment Board. The Investment Board team has visited the Marsyangdi basin projects site and conducted stakeholders meetings at different locations in June, 2019. The UMHP was initially optimized at 600MW as PROR type and Detailed Project Report (DPR) was prepared with a view to export power to cross border market earlier. The EIA of UMHP was also approved for 600 MW. However, considering the Nepal market and PPA requirements of NEA, UMHP has been re-optimized and capacity is fixed at 327 MW without changing the headworks and powerhouse sites. The power generated from UMHP will be sold in the domestic energy market.

**7.9 MW Chinokhola Hydropower Project (CKHP)** is a run of the river project located in Manang District, which is being developed by the Company with a view to use the power generated from CKHP as construction power to LMMHP and to supply the power to NEA thereafter. The feasibility study of CKHP has been completed and EIA Report has been submitted to DoED for approval process. The CKHP is being undertaken for construction at the earliest so that the power to be generated from the CKHP could be available before start of construction of Marsyangdi cascade projects. The discharge measurement, gauge reading, sediment sample collection and analysis are being carried out as regular activities. The process for incorporation of Project Company and concluding PPA has been started.

**160 MW Mugu Karnali Hydropower Project (MKHP)** is an under study project located in Mugu District. The Survey License of MKHP was received by the Company in 2018 for two years. Hydro Consult Engineering Limited (HCEL) has been engaged on 2074/11/11 for carrying out feasibility and EIA study. The prefeasibility

study has been carried out and the process for feasibility study has been initiated. The pre-feasibility report has indicated different options for developing MKHP as run of the river or peaking run of the river project. The lower stretch of the license area of MKHP is overlapped with the Mugu Karnali Reservoir Project which has been undertaken by Vidhyut Utpadan Company Limited, an undertaking of GoN. The road is under construction at the project site. Main challenge of the MKHP is power evacuation. The project will be kept as pipeline project for the Company to develop in future after clarity on the overlapped area and transmission facilities.

## CORPORATE GOVERNANCE

The Company is committed for the good corporate governance. The Company strives to keep the trust of our stakeholders by being ethical, honest and transparent in the continuing pursuit of our vision, mission and values. The Company produces Corporate Governance Report every year dealing transparently on our Board's activities and its performance, internal control system 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 is to strive to exercise the highest standards of ethics and conduct in our personal and business relations with ensuring compliance to legal framework, fairness, integrity, honesty and environmental impacts and the interests of the stakeholders. The reports as required by the prevalent laws have been submitted to the regulatory bodies on time. The Corporate Governance Report has been disclosed in the Annual Report of the Company separately.

## Board of Directors

There were some changes in the Board of Directors of the Company in F/Y 2075/076. The 26th Annual General Meeting of the Company held on January 11, 2019 elected Dr. Sandip

Shah and Mr. Dinesh Humagain as Directors representing the general public shareholders and Mr. Tirtha Man Shakya as Independent Director in the Board of Directors of the Company.

## Board Committees

The Board has set up Committees namely Audit Committee, Risk Management Committee, Assets and Liability Committee and Finance Committee considering the requirements of Companies Act, 2006 and Listed Companies Corporate Governance Guidelines, 2018 as well. Further, the Board has also set up an ad-hoc Committee on NHE Matters. All the Committees performed satisfactorily in F/Y 2075/076.

Audit Committee has played important role to maintain the internal control and financial governance of the Company. The Risk Management Committee has started deep dive for streamlining the risk management system of the Company. The Assets and Liabilities Committee monitored the budget implementation for F/Y 2075/076, scrutinized the budget for F/Y 2076/077 and reviewed the assets verification report of the Company. The Finance Committee has started working mainly on investment part of the Company apart from its other responsibility on insurance of assets and personnel. The Committee on NHE Matter provided guidance to the management to resolve the difference and dispute with regard to management of NHE.

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

### SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company has been incorporated in the Corporate Governance Report. The number of shareholders was 74,217 at the end of F/Y 2075/076.

### 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 over 5 years successfully.

## Human Resource

The number of employees counts 221 employees including Female 23 employees at the end of the FY 2075/076.

F/Y End	Total employees	Regular	Time Based	Job Based	Part Time
2075/076	221	173	29	13	6
2074/075	239	203	21	11	4

The Personnel Manual has been amended to meet the new requirements of the Labor Act, 2074. A Labor Relation Committee has been set up in line with the Labor Act, 2074. The Company introduced Mutually Agreed Retirement Scheme (MARS) to streamline human resources base of the Company. 32 employees opted for voluntarily retirement under MARS. Labor audit has been conducted by the Compliance Officer and the report has been submitted to the Labor Office. The cordial relation has been maintained with Employees Union.

## Health, Safety and Environment

The Company has been recertified with ISO 9001:2015 (Quality Management System); ISO 14001:2015 (Environment Management System) on 17 September 2018 and ISO 18001:2007 (Occupational Health, Safety and Security Management System) on May 23 2017. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and accidental insurance policies of all employees have been maintained. Internal and external audits on management systems were carried out for continual improvement. The safe working environment has been ensured, with all safety measures in place.

## Industrial and Business Relations

The Company is engaged with its stakeholders and always committed to enhance relationships through participating seminars, trainings, meetings and involvement in philanthropic 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 partnership with international agencies such as IFC, World Bank, Infra-Co Asia (Singapore) at different area of business relationship in development of hydropower projects. The Company has further established 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). CXIG is an urban infrastructure investment company of China. These companies have proven track record in the sector of hydropower and urban infrastructures development in China.

### Enterprise Risk Management

Enterprise Risk Management System has been implemented through identification, assessment, planning and mitigation of the risks across the Company. The Company regularly analyzes the risks through the matrix of high, medium or low risk measurement and adopts the appropriate risk mitigation strategy. To maintain the risks at a relatively low level, the risks are avoided, transferred, reduced and accepted depending upon the nature of risk and the company's risk appetite. The Risk Management Committee 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. The Company has procured insurance policies from a reliable insurance company to safeguard the assets and personnel of the Company.

### Internal Control and Accountability

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management

systems. Also, the internal audit has been carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented by the Management. M/s PL Shrestha & Co., Chartered Accountants, performed the internal audit of the Company in FY 2075/76.

### Statutory Audit

M/S CSC & Co., Chartered Accountants, audited the books and accounts of the Company for FY 2075/76. The auditor has issued an unqualified report on financial statements of the Company.

### Shareholders' Suggestions and Communication

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

### Share Transactions

NMB Capital Ltd is share registrar of the Company. 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 under:

Year	Max. Price	Min. Price	Closing Price	Transaction Days	Transaction	Volume of Transaction	Turnover Rs. million
2075 /76	496	332	409	246	15,852	1,902,187	793
2074 /75	783	420	457	231	15,059	2,659,692	1,599



## Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length, as per the best industry practices and prevailing law. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2075/76.

## Award and Recognitions

The Institute of Chartered Accountants of Nepal has conferred the Best Presented Annual Report Award, 2018 to the Company on July 23, 2019 for excellence in the presentation of its annual report. The Company has a track record of receiving this award since one decade.

## Business Environment and Investment Climate

The business environment and investment climate in the country has been improved. The policy reform initiatives have been taken to promote the investment within the country. The enactment of the Public Private Partnership and Investment Act, the Foreign Investment and Technology Act, the Environment Protection Act, the Forest Act, the Electricity Regulatory Commission Act, the Electricity Regulatory Commission Regulation, the Industrial Enterprises Act, the Hedging Regulation, the Consumer Tariff Fixation Guidelines, the Hydropower Companies' IPO Guidelines are policy reform initiatives taken in recent few years. However, the implementation part is not at the expected level due to weak synchronization between the political will and bureaucratic service delivery.

The hydropower sector in the country is facing difficulty due to volatility of Nepalese financial market, which affected the loan repayment capacity of some small hydropower project companies. Some hydropower projects which are eligible to get posted tariff rates as per the declaration of GoN are not getting that facility. Further, the cash return incentive declared by the GoN has also not been provided by the GoN. Hedging regulation has been framed, but there is still unclarity in the sharing of hedging costs,

time and amount to provide adequate confidence to the foreign investors. The weak transmission facilities have badly hit some of the hydropower projects resulting substantial transmission system loss and frequent tripping of power supply. Some transmission lines and sub-stations to be constructed by NEA are not as per schedule commensurate with the construction progress of the hydropower project being constructed by the private sector. The timely delivery of promise of the government would help to promote the hydropower sector. With the establishment of Electricity Regulatory Commission (ERC), IPPs are looking forward to adjusting the PPA tariff and distribution tariff based on cost plus basis and facilitating the regulatory processes.

Altogether, 32 hydropower companies have been listed in the capital market. Almost all listed companies run the small hydropower projects. Most of them are project specific companies. The performance of hydropower companies in the capital market is weak. The capital market of the country is running in bearish trend. There is no mechanism to distinguish the project specific company and hydropower developer company. This has created confusion among the investors.

Looking at the prospects for expansion of energy market at the regional level, the completion of 400KV Dhalkebar Mujaffarpur cross border transmission line has contributed to potential large quantity of export/import of electricity between Nepal and India. In addition the recent finalization of PPA for purchase of electricity generated from the 900MW Upper Karnali Hydroelectric Project is a welcoming step towards electricity export in the regional market. The cross border power trading agreement has been signed with the Indian Power Trading Company for power trading.

The power purchase agreement (PPA) has been one of the critical factors to the private sector. The current policy of the GoN and NEA to fix the PPA range for RoR, PRoR and Storage Projects targeted at 15,000 MW has posed difficulty mainly to those RoR projects for which studies have been carried out before the new policy came into the force. The bankable PPA is the concern of the private sector.

The private sector has been contributing mostly in supply side of the electricity market in Nepal. The domestic electricity market is in the developing phase. There is huge scope for electric transportation, industrial electrification and household electrification with the diversification of use of electricity in household level within the country. NEA has monopoly in electricity distribution across the country except for few exceptions. The entry of private sector in demand side management and trading of electricity would further help for the growth of energy market. For this, the willingness and supports of the GoN would be instrumental.

In F/Y 2075/76, 112 MW installed capacity has been added in power system of Nepal resulting in installed capacity of 1,182 MW. The total installed capacity of hydropower projects under operation is expected to exceed 2500 MW within next 2/3 years.

### Dividend

The Company has adopted stable dividend policy. Considering the dividend policy and future plans of the Company to develop hydropower projects, the Board has proposed to the 27th Annual General Meeting of the Company to distribute 18% cash dividend and 10% bonus shares to the shareholders from the net profit of F/Y 2075/76.

### Current Status

In the current F/Y 2076/77, some of the major works carried out by the Company are as follows:

- The PPA of Manang Marsyangdi Hydropower Project (MMHP) has been initialized.
- The Share Purchase Agreement and Shareholders' Agreement have been signed with Chinese partners for bringing them in the Manang Marsyangdi Hydropower Company Pvt. Ltd.
- The process of PDA negotiation of Upper Marsyangdi -2 Hydropower Project (UM2HP) has started.
- The Joint Venture Agreement has been signed with Chinese partners for development of Lower Manang Marsyangdi Hydropower

Project (LMMHP) through a Specific Project Vehicle;

- The process of setting up project specific company for Chino Khola Hydropower Project has been initiated.
- Streamlining the capacity of the above mentioned Marsyangdi cascade projects has been done. The installed capacity of MMHP, LMMHP and UMHP has been optimized at 135 MW, 139.2 MW and 327 MW respectively.
- Collective Bargaining Agreement has been signed with the Employees Union for two years.

### The Journey Ahead

The journey ahead of this current F/Y 2076/077 is crucial for shaping long term interest of shareholders. Targets for this year are:

- The construction of 30 MW Nyadi Hydropower Project shall be completed and this project will start generation and supply of power to NEA. Further, the Initial Public Offering shall be completed by its project company Nyadi Hydropower Limited.
- The transfer of 50% equity interest in Khimti-I Hydropower Project to NEA and signing of new PPA thereof, will be carried out by the Project Company HIMAL Power Limited.
- The transfer of shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. to Chinese partners shall be completed.
- The setting up of Project Company for development of LMMHP in JV with the Chinese partners shall be done.
- The process of PPA and PDA of Marsyangdi cascade project (MMHP, LMMHP and UMHP) will be expedited and discussion with financiers shall be initiated to get credit facilities for these projects. It is expected that the construction of MMHP will be started soon.
- The Project Company of Chino Khola Hydropower Project shall be established.
- All efforts will be put in to rescue 37.6 MW Kabeli-A Hydroelectric Project for bringing it back to normal course of construction.
- The strengthening of internal management system of the Company shall be undertaken and different Committees under the Board are working in this area.

## **Acknowledgement**

We are grateful to the Government of Nepal, Nepal Electricity Authority, Foreign partners, clients, consumers, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the Company in the F/Y 2075/76. We thank the members of the Board Committees,

Management Team and the Employees for their dedication and continued contribution towards the progress of the Company and the Shareholders for their support and confidence accorded to us.

Thanking you.

On behalf of the Board of Directors

**Padma Jyoti**

Chairman

Date: 9 January, 2020





# CEO'S PERSPECTIVE

Doing investment and business of hydroelectricity is a long term commitment characterised by the long gestation period during study and/or pre-construction phase, multiple interfaces management during construction phase and efficient operation and maintenance of power plants for uninterrupted supply of power to the offtaker during operation phase. We, at BPC, are managing different hydroelectric projects of above phases and these are imperative for business sustainability and protecting long term interest of shareholders. At the same time, delivering return and results to the valued shareholders is equally important.

In the year 2018-019, the overall performance of different business segments was satisfactory with the success to increase net profit of the Company by 8.3% compared to the previous year and 28% dividends have been proposed to distribute to shareholders. In addition to the operating business, utmost priority was given to the under construction projects and other projects in pipeline stating their construction. 30MW Nyadi Hydropower Project (NHP) is at the advance stage of construction. An alternate plan for power evacuation from NHP has been prepared, which is under implementation, due to delay in construction of substation and transmission line by Nepal Electricity Authority (NEA). The construction of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP), a project awarded by the Government of Nepal (GON) through international competitive bidding process, has been halted due to termination of contract agreement of civil and hydro-mechanical works contractor. KAHEP is struggling getting support from GON to extend the term of World Bank loan. The Company would continuously follow up for the active support of GON and its undertaking NEA for making more enabling environment for hydropower sector. Some initiatives have been taken by the current stable government to make investment friendly environment and a target to develop 15000 MW by ten years has been set. Our growth plan is also aligned with the target of the GON.

With a view to develop jointly with Chinese partners, the acquisition of Manang Marsyangdi Hydropower Project (MMHP) and Upper Marsyangdi -2 Hydropower Project (UM2HP) has been completed, and these acquired projects will be developed in cascade along with Lower Manang Marsyangdi Hydropower Project (LMMHP) currently owned by the Company. Considering the optimization of water resources and supplying power to the domestic power, these cascade projects have been optimized with combined capacity of around 600 MW (135MW of MMHP, 139.2MW of LMMHP and 327MW of UM2HP). 7.9MW Chino Khola Hydropower Project located in Manang District is at the final stage of study and the construction of this project is planned to provide construction power to the cascade projects initially and supply to NEA thereafter. The Company has completed prefeasibility study of 160 MW Mugu Karnali Hydropower Project and its feasibility study and EIA is being carried out.

Undoubtedly, the priority of the Company shall be developing hydropower projects in Nepal by using its resources and the resources available Nepali financial and technical market and also bringing foreign capital and technology. Streamlining the current associate business segments like consulting engineering, power plant operation and maintenance services, manufacturing and repairing of equipment are also in priority of the Company. These would add value to the long term sustainability of the Company and fair return to shareholders.

I am grateful to the Government of Nepal, Nepal Electricity Authority, Foreign partners, Shareholders, bankers, auditors, and other institutions and individuals for their support. I would like to extend my sincere thanks to the Board for support and guidance in pursuing the vision and performing business of the Company. I also thank to fellow executives and employees for their dedication and hard work.

Thank you.

**Uttar Kumar Shrestha**  
Chief Executive Officer



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We, at BPC, are managing different hydroelectric projects and these are imperative for business sustainability and protecting long term interest of shareholders.

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# CORPORATE GOVERNANCE

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

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

Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018. The Board has hired Management Team led by 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 informations are provided to the Board members to take the informed decision in any agenda presented to the Board. The role of Committees is focused in specific assigned area to guide Management Team and to recommend the Board for taking decisions as per the requirement of the Company. The Management Team perform 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 Board reviews and discusses the performance of the company, its future plans, major business strategies, risk management and other pertinent strategic issues. It also assumes responsibility for the overall direction and supervision of the Company affairs. All Directors have a duty to act in good faith and with care in the best interest of the Company, and are aware of their individual and collective responsibilities towards the Shareholders.

The board has the following specific functions:

- To enhance shareholders value.
- To ensure compliance with the code of conducts, ethical standard and legal requirements;
- To review, monitor and approve major financial and corporate strategies;
- To review, monitor and approve financial results and new business investments;
- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To ensure an adequate framework for risk assessment and management;
- To provide counsel for development of top management team;

## Share Ownership Structure

The share ownership structure of the Company in FY 2074/075 after issue of FPO is as under.

Group	Shareholder	% Holding	Remark
A	Government of Nepal	7.42%	9.70%
	United Mission to Nepal	1.37%	
	Rastriya Banijya Bank	0.05%	
	Nepal Electricity Authority	0.86%	
B	Shangri-La Energy Limited	56.27%	57.85%
	IKN Nepal AS	1.58%	
C	General Public (including Employees)	32.45%	32.45%
<b>Total</b>		<b>100%</b>	<b>100%</b>

## Board of Directors and Board Committees

### BOARD OF DIRECTORS

The Board is the apex body for management of Company. The Board has set up different Committees as per the requirements of the

## Board of Directors and Board Committees

The Board of Directors of the Company is composed of nine Directors as follows:

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. Sandip Kumar Dev	Director	A	GoN
Dr. Sandip Shah	Director	C	General Public
Mr. Dinesh Humagain	Director	C	General Public
Mr. Tirtha Man Shakya	Independent Director	-	
Vacant	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.

- To delegate appropriate authority to the CEO that it can manage business operations effectively and efficiently.

### BOARD MEETINGS

Eleven meetings were held during the year. The Directors were communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 56 days and the shortest was 11 days. The attendance for the Board meetings was as follows:

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	11/11	
Mr. Pradeep Kumar Shrestha	Director	10/11	
Mr. Bijaya Krishna Shrestha	Director	9/11	
Mr. Om Prakash Shrestha	Director	7/11	
Mr. Sandip Kumar Dev	Director	8/11	From 2075.05.18
Mr. Chiranjibi Chataut	Director	1/11	Upto 2075.05.17
Dr. Sandip Shah	Director	5/11	From 2075.09.27
Mr. Chandu Prasad Shrestha	Director	4/11	Upto 2075.09.27
Mr. Dinesh Humagain	Director	6/11	From 2075.09.27
Mr. Tirtha Man Shakya	Director	5/11	From 2075.09.27
Mr. Bijay Bahadur Shrestha	Alt. Director	8/11	
Mr. Sanjib Rajbhandari	Alt. Director	-	
Mr. Hari Bahadur Budhathoki	Company Secretary	11/11	

### FEE AND ALLOWANCES OF DIRECTORS

The allowances of the Board members are as follows:

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

### Board Committees

The Board has re-structured the Committees on Magh 22, 2075 in compliance with the Companies Act, 2006 and the Listed Companies Corporate Government Guidelines, 2018 issued by the Security Board of Nepal and also considering the need of the Company.

### AUDIT COMMITTEE

The Audit Committee is comprised of three Board members. The Meeting of Audit Committee is held as per the need basis. CEO, Chief Risk Officer, VPs and Compliance Officer attend the meeting of Audit Committee as management invitee and Company Secretary acts as Secretary of the Audit Committee. The members of Audit Committee are as follows:

NAME	POSITION
Mr. Pradeep Kumar Shrestha,	Convenor
Mr. Bijaya Bahadur Shrestha,	
Alternate Director	Member
Mr. Dinesh Humagain, Director	Member

The functions of the Audit Committee are as per the following:

- Review accounts and financial statements of the Company and ascertain the facts mentioned in such accounts and statements;
- Review the internal control system of the Company and monitor of its implementation;
- Review the risk management system of the Company subject to overlap with Risk Management Committee;
- Monitor and supervise the internal audit works of the Company;
- Prepare the policy and standards with regards to selection, recommendation/appointment of auditors;
- Select and appoint the Internal Auditor of the Company and fix their remuneration;
- Select and recommend the suitable candidates to the Annual General Meeting for appointment as External Auditor of the Company and also recommend their remuneration;
- Oversee the compliance of code of conducts, directives and standards by the auditor, as issued by the relevant authorized body;
- Prepare the accounting standards and cause to implement the same;
- Review the internal and external audit reports and advise the Board if any measure or decision is to be taken based on the audit findings and recommendations;

▼ **BPC Board Meeting.**





- Carry out any other works assigned by the Board from time to time;
- Provide advice to the other committees, if asked and required;
- Coordinate with other committees as per the need.

The Audit Committee had 4 meetings in F/Y 2075/076.

#### **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, Chief Risk Officer, 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 Chief Risk Officer of the Company. The Chief Risk Officer submits its report to

the RMC on half yearly basis regarding overall implementation of risk plan and processes. The members of RMC are as follows:

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

The functions of the Risk Management Committee are as per the following:

- Advise the Board on the Company's overall risk appetite, tolerance and strategy taking account of the current and prospective scenario of economic and energy sectors of the country;
- Oversee and advise the board on the current risk exposures of the Company and future risk strategy;



- Review the risk assessment and management processes and their effectiveness on continue basis subject to overlap with the Audit Committee;
- Review the annual operation and maintenance plan from risk management perspective;
- Review the annual risk register prepared by the management;
- Before a decision to proceed is taken by the Board, advise the Board on proposed strategic partnership/investment/transactions including acquisitions or disposals, ensuring that a due diligence is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.
- Review reports on any material breaches of risk limits and the adequacy of proposed action.
- Provide advice to the other committees, if asked and required;
- Review the procedures of the Company for detecting fraud and preventing the bribery;
- Review the reports received from the Chief Risk Officer;
- Ensure that the Chief Risk Officer has been given direct access to the Chairman of the Board and the RMC.
- Coordinate with other committees as per the need.

The RMC had 4 meetings in F/Y 2075/076.

#### ASSET AND LIABILITY COMMITTEE

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

Name	Position
Mr. Bijaya Krishna Shrestha, Director	Chairman
Mr. Om Prakash Shrestha, Director	Member
Mr. Sandip Kumar Dev, Director	Member

The functions of the Assets and Liability Committee are as per the following:

- Scrutinize the annual budget of the Company and recommend to the Board for approval;
- Carry out half-yearly review of budget of the Company and effectiveness of its implementation, and recommend to the Board for necessary amendment;
- Review the physical assets verification report;
- Review the terms and conditions of various insurance policies to be procured by the Company;
- Oversee the timely tax filing and filing to other statutory body;
- Review, and advise to the Board on, the financial requirements, plan and financing terms of the Company for investment and daily activities;
- Advise to the Board on the financial risk, interest risk and forex risk subject to overlap with Risk Management Committee;
- Advise to the Board for promoting the financial governance of the Company;
- Review the dividend plan in line with the dividend policy and recommend to the Board;
- Provide advice to the other committees, if asked and required;
- Coordinate with other committees as per the need.

The ALC had 2 meetings in F/Y 2075/076.

#### Finance Committee

The Finance Committee (FC) is comprised of three Board members. The meeting of FC is held as per the need basis. CEO, Chief Risk Officer, VPs and Compliance Officer attend the FC meeting as management invitee and Company Secretary acts as Secretary of FC. The members of FC are as follows:

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

The functions of the Finance Committee are as per the following:

- Review the terms and conditions of various insurance policies to be procured by the Company;

- Review and advise to the Board on the financial requirements, business and investment plan and financing terms of the Company for investment and daily activities;
- Advise to the Board on the financial risk, interest risk and forex risk subject to overlap with Risk Management Committee.
- Advise to the Board for promoting the financial governance of the Company;
- Provide advice to the other committees, if asked and as required;
- Coordinate with other committees as per the need.

The Finance Committee had 2 meetings in F/Y 2075/076.

### Committee on NHE Matters

The Committee on NHE Matters is comprised of three Board members, which was set up by the Board on Falgun 29, 2075 as ad-hoc committee with a view to guide Management to resolve the difference and dispute with regard to management of NHE. The members of the Committee on NHE Matters as follows:

Name	Position
Mr. Bijaya Bahadur Shrestha, Alternate Director	Chairman
Mr. Sandip Kumar Dev, Director	Member
Dr. Sandip Shah, Director	Member

The Committee had 2 meetings in F/Y 2075/076.

### Compliance of Listed Companies Corporate Governance Guideline, 2074

The Listed Companies Corporate Governance Guidelines, 2074 was come into effect from Shrawan 1, 2075. The Company has complied with these Guidelines. The Board has designated Mr. Ratna Sambhava Shakya, Chief Manager-Finance as Compliance Officer. The Compliance Report of the Company for F/Y 2075/076 has been prepared and submitted by the Compliance Officer confirming that the Company has complied with the requirements as per said Guidelines.

### Relations with Shareholders

The 26th Annual General Meeting of shareholders was held on January 11, 2019. A total of 974 shareholders representing 60.15% shares attended the general meeting and seven shareholders actively participated in the discussion. With appreciation for distributing cash and stock dividend, they suggested to continue both cash and stock dividend in the future years as well. They further suggested investing in new projects tactfully ensuring the returns on time when partnering with foreign investors. The shareholders have also shown their concern on the progress of the projects, return on investment, performance of subsidiaries, and expansion of the business of the Company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analyzed and implemented on merits in the business interest of the Company.

### Communication with Stakeholders

The shareholders were communicated the notice of 26th Annual General Meeting and Abridged Financial Report of the Company through publishing in newspapers and the website of the Company for their ready information to the shareholders. Further, the minutes of meeting of the Annual General Meeting were published in the newspaper and website of the Company for information to the shareholders. The quarterly financial reports of the Company were also published in the newspaper and website of the Company for information to the shareholders and other stakeholders. Any other information of the Company which are required to disclose under prevailing laws have been disclosed and disseminated by the Company on timely manner.

### Share Registrar

NMB Capital Limited has been working as Share Registrar of the Company with satisfactory performance.



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

## Internal Control and Accountability

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

The Company obtained the services from independent auditors/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), prevailing Act,

Rules and Regulations and issues his report. The Company started preparing IFRS/NFRS compliant financial statements since the year 2017 and also presented consolidated financial statement in line with the IFRS/NFRS. According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon. 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 Ashadh 32, 2076.

## Management

Business operations and management of the company is managed by the management team under the leadership of CEO Mr. Uttar Kumar Shrestha. The management improved performance during the FY 2075/76 with fulfillment of major tasks as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors and Board Committees.

## Management Review and Responsibility

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

## Shareholding of Board of Directors in BPC

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	99114
2	Mr. Pradeep Kumar Shrestha	Director	None
3	Mr. Bijaya Krishna Shrestha	Director	238
4	Mr. Om Prakash Shrestha	Director	None
5	Mr. Sandip Kumar Dev	Director	None
6	Mr. Sandip Shah	Director	20625
7	Mr. Dinesh Humagain	Director	42792
8	Mr. Tirtha Man Shakya	Director	None
7	Mr. Bijay Bahadur Shrestha	Alt. Director	33072
8	Mr. Sanjib Rajbhandari	Alt. Director	68256

## Brief Resume of the Board Members and Disclosures



### Mr. Padma Jyoti, 73

#### CHAIRPERSON

- M.E. in Mechanical Engineering from IIT Kanpur, India and SM from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 16 years of experience in hydropower along with 47 years of experience in industries and business operations.
- Chairman, Jyoti Group of Companies
- Alternate Director, Sagarmatha Insurance Co. Ltd.
- Director, Shangri-La Energy Limited
- President, National Business Initiative



### Pradeep Kumar Shrestha, 59

#### DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than 16 years of experience in hydropower along with 34 years of experience in industries and business operations
- Managing Director, Panchakanya 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 Limited
- Director, Scenic Housing



### Bijaya Krishna Shrestha, 71

#### DIRECTOR

- B.E. (Electrical) and MBA from Southern Illinois University, USA.
- More than 11 years of experience in hydropower along with 38 years of experience in the banking, insurance, computer, and electronic sector
- Chairman, Beltron Investment Pvt. Ltd.
- Director, Premier Insurance Limited
- Director, Shangri-La Energy Limited



### Om Prakash Shrestha, 60

#### DIRECTOR

- B.E. (Civil) from Punjab University, Chandigarh, India
- More than 8 years of experience in hydropower along with 31 years of experience in the field of construction management and trading
- Director, Arniko Nirman Co
- Director, Interworld Trading



### Sandip Kumar Dev, 50

#### DIRECTOR

- M. Tech., IIT Rookree, India
- 24 years of public service
- Deputy Director General, Department of Electricity Development, Ministry of Energy, Water Resources and Irrigation, GoN

## Dr. Sandip Shah, 55

DIRECTOR

- Ph.D. in Rock Engineering and M.E. in Structural Engineering from University of Toronto, Canada; B.E. (Civil) from University of Roorkee.
- More than 26 years of experience as hydropower engineer, energy specialist, and project management professional including experience of working with international hydropower and renewable energy companies like Panda Energy, USA and Statkraft AS, Norway

- Managing Director of Dolma Himalayan Energy
- Fellow of International Hydropower Association (IHA)
- Life Member of Nepal Engineers' Association (NHA), Nepal Geological Society (NGS), Nepal Hydropower Association (NHA)
- Past President of Independent Power Producers' Association, Nepal (IPPAN)
- Immediate Past President of Nepal Tunnelling Association (NTA)



## Mr. Dinesh Humagain, 42

DIRECTOR

- M.A. in Rural Development and Political Science from Tribhuvan University
- 15 years of experience in Nepalese stock market and 20 years of experience in different social works.



## Mr. Tirtha Man Shakya, 66

INDEPENDENT DIRECTOR

- B.E. (Electrical) (Honors) from Jadavpur University, Calcutta, India, 2075
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal, 2003
- More than 35 years of work experience in different job positions in Nepal Electricity Authority (NEA) including General Manager, Transmission and System Operation
- More than 8 years of Consulting Services for NEA, Asian Development Bank, UNDP, Total Management Services (TMS) 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



## Bijay Bahadur Shrestha, 64

ALTERNATE DIRECTOR

- MBA graduate from Delhi University, India.
- More than 16 years of experience in hydropower along with 33 years of experience in the export sector and more than 18 years of experience in the capital market, banking, financial and insurance sectors.

- Director, United Insurance Limited
- Director, Shangri-La Energy Limited
- Director, Snowlion Carpets Pvt. Ltd.
- Director, Nepal Lube Oil Limited



## Sanjib Rajbhandari, 60

ALTERNATE DIRECTOR

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

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



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

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

COMPANY	BPC SHAREHOLDING IN %	NAME	POSITION IN BOARD
BPC Services Ltd.	100%	Mr. Uttar Kumar Shrestha	Chairman
		Mr. Prakash Kumar Shrestha	Director
		Mr. Radheshyam Shrestha	Director
		Mr. Pratik Man Singh Pradhan	Alt. Director
Himal Power Limited	16.88%	Mr. Sanjib Rajbhandari	Director
		Mr. Bijaya Krishna Shrestha	Alt. Director
Hydro Consult Engineering Limited	80%	Mr. Uttar Kumar Shrestha	Chairman
		Mr. Pratik Man Singh Pradhan	Director
		Mr. Radheshyam Shrestha	Director
		Mr. Ratna Sambhava Shakya	Alt. Director
Hydro Lab Pvt. Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha	Chairman
		Mr. Padma Jyoti	Director
		Mr. Uttar Kumar Shrestha	Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha	Chairman
		Mr. Om Prakash Shrestha	Director
		Mr. Dinesh Humagain	Director
		Mr. Uttar Kumar Shrestha	Alt. Director
		Mr. Radheshyam Shrestha	Alt. Director
Nepal Hydro & Electric Ltd.	51.3%	Mr. Bijay Bahadur Shrestha	Chairman
		Mr. Uttar Kumar Shrestha	Director
Nyadi Hydropower Limited	98.18%	Mr. Om Prakash Shrestha	Chairman
		Mr. Pradeep Kumar Shrestha	Director
		Mr. Uttar Kumar Shrestha	Director
		Mr. Padma Jyoti	Alt. Director
		Mr. Radheshyam Shrestha	Alt. Director
Gurans Energy Limited	40%	Mr. Bijay Bahadur Shrestha	Chairman
		Mr. Uttar Kumar Shrestha	Director
S.C.I.G. International Nepal Hydro Joint Development Company Pvt. Ltd.	20%	Mr. Padma Jyoti	Director
		Mr. Uttar Kumar Shrestha	Director
Manang Marshyangdi Hydro Power Co. (P) Limited	100%	Mr. Pradeep Kumar Shrestha	Chairman
		Mr. Bijay Bahadur Shrestha	Director
		Mr. Uttar Kumar Shrestha	Director
Himtal Hydropower Co, (P) Limited	19.40%	Mr. Uttar Kumar Shrestha	Director
Marshyangdi Transmission Co. (P) Limited	19.40%	Mr. Uttar Kumar Shrestha	Director

## 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. NO.	NAME	DESIGNATION
1	Mr. Uttar Kumar Shrestha	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development and Project (Deputed in SCIG International Nepal Hydro JDC Pvt. Ltd. in the capacity of DGM)
3	Mr. Radheshyam Shrestha	VP – Finance, Chief Risk Officer
4	Mr. Tikaram Bhatta	VP- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Ratna Sambhava Shakya	Chief Manager – Finance, Compliance Officer
7	Mr. Ganesh Prasad Khanal	Sr. Manager, Business Development and Project





▼ *An overview of Marsyangdi cascade projects.*

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Environment

With the great effort of NEA leadership, power from internal sources and external sources from India has been managed to maintain load shedding free Nepal. Eradication of load shedding has contributed to reduce the trade deficit of country to some extent and NEA has been able to earn net profit of more than 7 billion rupees for the fiscal year 2075/76. In general the adequate supply of power has led the country to get positive indicators of overall economic development. In order to manage power demand, NEA has purchased 9% more power as compared to previous fiscal year. Total installed capacity added in 2018/19 is 112 MW both from NEA and IPP side. Many hydropower projects under construction are expected to complete in the years to come and meet the internal demand. India and Bangladesh are power hungry neighbors; there is ample scope for export of electricity from Nepal. Cross Border Power Trading with India has been successful, as first 400 kV line between Dhalkebar, Nepal and Mujaffarpur, India has been charged at 220 kV in 2018 is expected to be upgraded to 400 within current fiscal year. Likewise, the DPR of second 400 kV Cross Border Transmission Line, from Nw Butwal to Gorakhpur has been finalized. Two more 400 kV Cross Border Transmission Lines, namely: New Duhabi- Purnima and Lamki-Bareilli are also planned. Cross border power trading agreement has already been signed with the Indian Power trading company for power trading through power exchange. Also an initial understanding has already reached on energy banking at NEA/CEA level.

Bangladesh is also showing intense interest to import and invest in hydropower of Nepal. India's cross border Guidelines and subsequent regulations has also opened up avenues for power trading between Nepal and Bangladesh. In near future, Nepal will be trading power with neighboring countries on long term basis expanding Nepal's hydropower generation.

With the establishment of Electricity Regulatory Commission (ERC), IPPs are looking forward to adjusting the PPA tariff and distribution tariff based on cost plus basis and facilitating the regulatory processes.

Various sectors of the national economy like agriculture, industry, transport, tourism, health or service etc. are needed to switch on electrical energy in order to minimize the dependency on imported petroleum products. Rising prices, shortages and pollution generating fossil fuels demand for development of sustainable source for clean energy like hydropower. Nepal's large perennial rivers with favorable conditions for generation of power are ample opportunities for investment in hydropower development.

As Nepal's federal, provincial and local governments are fully functional, the clarity on ownership of water resources, benefits sharing, facilitation and legal requirements are expected be well addressed at the provincial and local level. However, though the local institutions are empowered, the expectations of local stakeholders and interested parties are still adversely affecting ongoing projects. Stakeholder's engagement has been emphasized to get minimum disturbances on the construction of hydropower projects through the adequate allocations of resources on the environmental and social sectors.

In order to make the nation self-reliant in electricity and make hydropower as source of prosperity through cross border trading, GoN is working on investment friendly rules, regulations and guidelines to attract foreign direct investments (FDIs) and local resources for bigger hydropower projects. Dependency over petroleum product is the major cause of huge trade deficit. This can be reduced through the necessary production and distribution of electricity to meet the demand of household and industrial sector, replacing cooking gas,

and using electric transport. NEA has initiated activities to maximize the energy consumption in these directions. Government's transmission line master plan as prioritized for the expansion and enhancing transmission line networks to facilitate the hydropower development is very important for its early implementation.

Hydropower development has been lucrative financing opportunity to banks and financial institutions and Nepalese banks have already started to venture in bigger hydro projects. Because of the improving investment friendly environment, international financial institutions and banks (IFIs) and investors are also coming in for investing in Nepal's hydropower.

Nepal Electricity Authority (NEA) has already fixed the tariff for the electricity to be generated from reservoir and peaking run of the river projects. FDI can be attracted only if the PPA is signed in foreign currency. The government has issued hedging mechanism to address exchange risks by sharing the costs which is still lacks clarity.

## Financial Performance

### NFRS COMPLIANT FINANCIAL STATEMENTS

The company has prepared IFRS/NFRS compliant financial statements from the fiscal year 2073/74 BS (year 2017), to fulfil the mandatory provision of Institute of Chartered Accountants of Nepal (ICAN). All subsidiary companies also prepared the NFRS complied financial statements for the compliance and Group consolidated financial statements are also prepared accordingly.

## Financial Result

BPC's net profit concluded at NPR 760.34 million this year with an increment of 8.27% from last year. Company's revenue increased by 2.51% amounting total turnover to NPR 683.08 million. The gross profit is decreased by 4.29% amounting to NPR 279.72. The Other income (including dividend income) amounting to NPR 613.71 million in comparison to last year NPR 551.96 million which is an increase of 11.19% this year. Similarly, 30.21% increase in the administrative overhead from NPR 126.15 million to NPR 164.25 million reason being the one off employees cost for implementing voluntary

retirement scheme. Financial income is increased by 63.65% amounting to NPR 151.54 million, which was NPR 92.6 million last year. This increase is due to the deposit of FPO amount.

The Earning per share amounts to NPR 31.15, a minor decrease than last year and the net worth of the Company amounts to NPR 6,901.28 million, an increase of 6% compared to last year. Additional investment in shares (unlisted companies) is NPR 1,868.4 million with an increment by 70.2%.

## Net Financial Assets

Gross Capital investment in shares and projects was NPR 4,530.3 million in FY 2075-76 as compared to NPR 2,866.9 million in FY 2074-75. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW), Kabeli-A project (37.6 MW), LMMP (139.2MW), Manang Marshyangdi Hydropower Project (135 MW) and Upper Marshyangdi 2 Project (327MW).

## Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) 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. The total amortized assets value to this effect NPR 1,927.47 million has been treated as intangible assets as a leasehold property.

## Group Consolidated Financial Statement

BPC has majority share in NHE, Khudi, HCEL and BPCSL. All group companies have prepared IFRS/NFRS compliant financial statements and Group consolidated financial statement is prepared in accordance with the provision of Company Act, 2063 and NFRS. Consolidated turnover amounts to NPR 2,172.9 million with the increment of 20.14%. Gross profit amounts to NPR 394.6 million with a decrease of 20.53% and profit from operation is NPR 766.3 million with a decrease of 5.23%. Similarly, consolidated net profit for the year concluded at NPR 770.66 million with an increase of 3.39%. Group earning per share stands at Rs. 30.95 per share and net

worth is NPR 7,405.8 million which amounts to NPR 303.45 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

Manufacturing industries are considered the backbone of a country's economic development. Apart from modernising agriculture by employing various agricultural tools in a situation where most of the youths are outside country for earning remittance, can reduce the heavy dependence of the people on agriculture. Like, agriculture, tourism, manufacturing, the hydropower development has also been considered as one of the major factors of economic development of a country, like Nepal where favourable geography, market potential and abundant water resources are available for hydroelectricity generation. Completed and under construction hydropower projects have generated employment opportunities to thousands of people and created economic activities and businesses due to increased electrification coverage. Even by the purchase of more than one third electricity from India, the decade long load shedding has been eradicated resulting reduced import of petroleum products, boosting of businesses and industries ultimately resulting the reduction of trade deficit with India and foreign currency reserve to some extent. The foreign currency reserve had to be used to import batteries, inverters, solar panels, fossil fuels for generators during the time of load shedding.

Despite of immense hydropower generation potential, the total generation of hydro-electricity in our country is currently limited to only 1182 MW, which is 2.81% of its feasible potential of 42000 MW and 1.42% of gross potential of 83,000 MW. Being most of the generations on river flow based, the generation

can come down up to one third during the dry season when there is maximum demand. To fulfil demand during the dry period it is our compulsion to import power from India unless we develop reservoir based hydropower projects.

BPC, directly operating two power plants and investing in two other plants, is directly contributing in national hydropower generation of 2.88% in terms of MW. Out of total energy estimated to be required in 2019 in the country around 37.3% will be imported from India. In terms of total number of national customers BPC serves more than 1.46% of them directly connected through own distribution system in Syangja, Palpa, Pyuthan and Arghakhanchi districts of western Nepal. The annual per capita energy consumption of Nepal is one of the least in Asia that is around 252 KWh. India's annual per capita energy consumption is around 1200 KWh.

### Generation Business

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

During the fiscal year 2075/76, total generation was 137.56 GWh. About 72.73 % of total available energy was supplied to NEA and 27.1 % to BPC distribution.

**Andhikhola Power Plant** generated 68.05 GWh with plant factor of 82.64 %, an increase of 4.49 % (2.92 GWh) over the last year. Out of total available energy, 36.85 GWh (54.15%) was supplied to NEA including Kaligandaki compensation 3.17 GWh, and 30.30 GWh (44.53%) was sold to BPC Distribution.

**Jhimruk Power Plant** generated 69.51 GWh with plant factor of 66.12 %, an increase of 1.18 % (0.81 GWh) over the last year. Out of total available energy, 63.2 GWh (90.93 %) was supplied to NEA and 6.97 GWh (10.03 %) was sold to BPC Distribution.

## Future Prospects

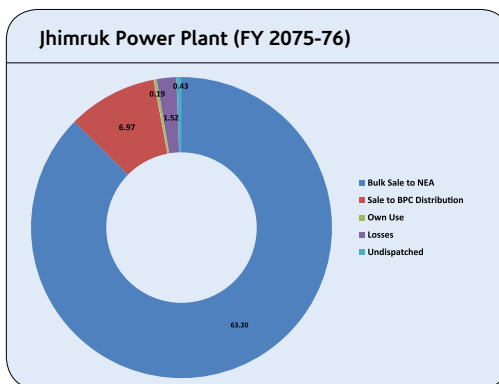
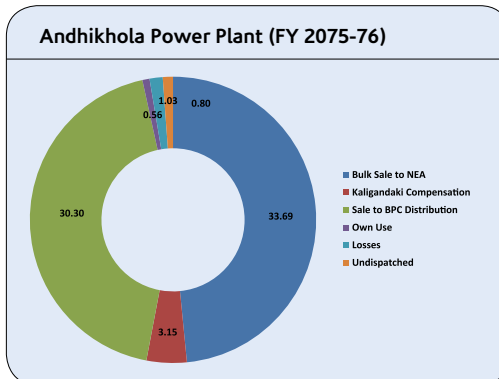
In F.Y. 2076/77, it has been planned to generate 69.98 GWh from Jhimruk plant considering past flood outage and assuming that NEA will take the additional energy throughout the year and 70.20 GWh from Andhikhola plant. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on Average River Discharge of both plants and estimated outages.

Repair and overhauling of all turbine parts eroded by silt of Jhimruk plant will be carried out. Repair and maintenance of Andhikhola Plant will be carried out as per the maintenance procedure. The major maintenance of Jhimruk Plant has been planned in Jestha to Bhadra, so that the efficiency of the turbine can be gained for rest of the period in that year in order to maximize the generation. Study to reduce the effect of silt on turbine parts will be carried out. Likewise, study for construction of permanent river training structure at Jhimruk will be conducted. Study and testing of spiral casing of Jhimruk Turbine will be done. River training works to channelize water into tunnel will be done in Jhimruk River. Social Upliftment program in affected areas will be continued to optimize water for maximizing generation.

## Distribution Business

During the fiscal year 2075/76, the total energy purchased was 37.275 GWh which is about 1.7 % more than that of last fiscal year. Increase in purchase is due to the increase in the number of customer this year which is 4.02 % more than to the last year.

This year 31.483 GWh energy was sold to retail customers and 0.071 GWh was consumed in the staff quarters and distribution offices. The total sale has slightly increased by 2.76 % compared to last year is mainly due to increase in consumers. Out of 31.482 GWh sold to retail customers, 24.66 GWh (78.341%) was sold to metered consumers, 0.245 GWh (0.78%) to



unmetered consumers, 2.849 GWh (9.05 %) to industrial consumers and 3.725 GWh (11.83 %) to other consumers. Compared to last year's, there is no significant change in energy consumption pattern of different customer category in this year except other consumer. In case of other consumer, the energy consumption has increased by about 26 %. A comparison of energy sale to different categories of customers for last FY 2074/75 and this fiscal year 2075/76 is as follows.

Category	Energy Sale (GWh)		Sale (%)	
	2074/75	2075/76	2074/75	2075/76
Cutout	0.3037	0.2454	0.99	0.78
Domes-tic-Meter	24.666	24.663	80.51	78.34
Industry	2.711	2.848	8.85	9.04
Others	2.954	3.725	9.64	11.83
<b>Total</b>	<b>30.63</b>	<b>31.48</b>	<b>100</b>	<b>100</b>

There has a slight increase in the revenue generated this fiscal year compared to last year. Total revenue (billed amount) this year was 198.19 million rupees, an increase of 5.46 % compared to last year. Out of which 23.726 million rupees (11.97%) was from

industry, 35.593 million rupees (17.96%) from others consumers, 138.056 million rupees (69.66%) from metered consumers and 0.816 million rupees (0.41%) from unmetered consumers. Energy sale has increased by 2.76% whereas revenue generation has increased by 5.47% from that of last year.

By the end of the fiscal year 2075/76, total of 56,194 customers have been electrified in the four districts marking an increase of 4.02% compared to last year. The consumer addition was mostly due to consumer addition in old network and network expansion done in the fiscal year FY 2074/75. The addition of consumers last year was 2,173 which is more than the targeted figure of 2,100.

By the end of the year, a total of 2,173 consumers were added out of which 1,992 were domestic metered consumers, 20 was cutout consumer, 64 were industrial consumers and 97 others consumers were newly connected.

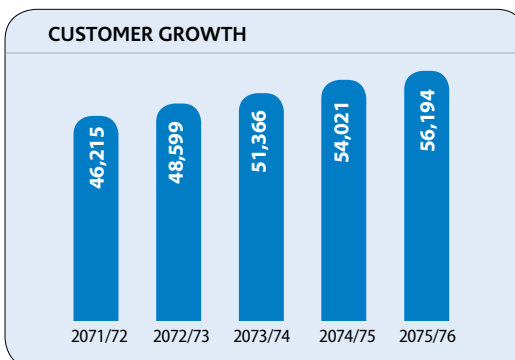
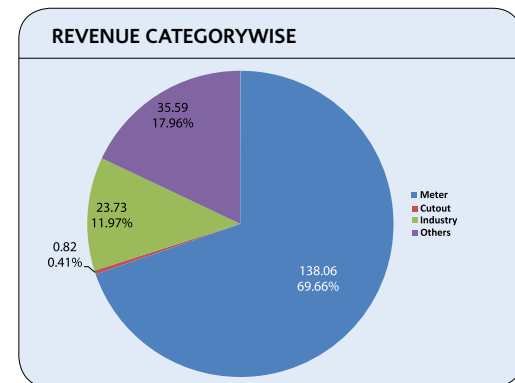
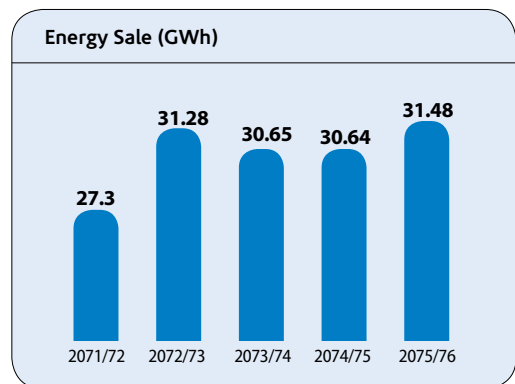
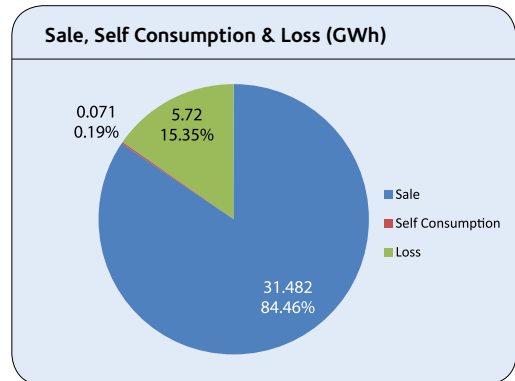
In addition to this, conversion of cutout consumers into meter was also sought. A total of 206 cutouts were converted into meter.

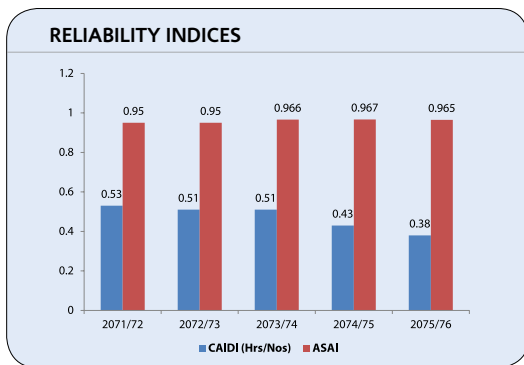
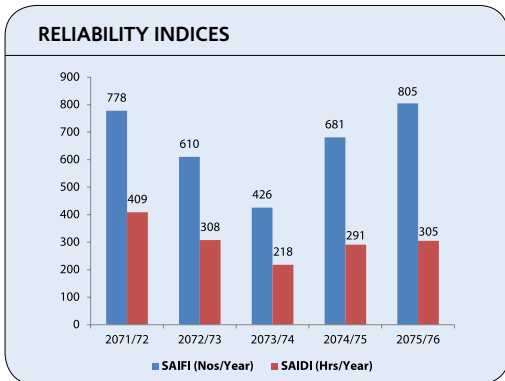
Necessary system expansion for consumer addition was made possible through installation of new transformers of 11 kV & 33 kV increasing the installed capacity from 13,975 kVA to 15000 kVA.

In this year, the average service availability index in the distribution system was 96.5% which is slightly less than last year.

### Loss management/minimization

The total energy loss this year was 5.72 GWh, almost 15.35% of the total purchase whereas the loss last year was 16.21%. The decrease in system loss as compared to last year is mainly due to upgrading of some of the distribution networks. Loss minimization has been remain main priority of the management particularly for the past several years and firm efforts have been made to identify system loss and minimize it. For this purpose, complete metering in network was initiated and will be continued in the coming fiscal year as well which will help to prioritize high loss areas for suitable means of reducing the loss in such areas.





## 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 the citizen charter. The total UOs this year is 114.

## Future Prospects

As a part of system expansion, total 1.751 new consumers out of which 58 industrial, 104 others consumers and remaining metered consumers are planned for addition in the following year (FY 76/77) by construction of 12 KM of 11 kV, 23.5 KM 33 kV and 192.28 km of low voltage line and addition of 16 nos. of 33 kV & 6 nos. of 11 kV transformers.

Further distribution also plans to continue demand side management (DSM) in order 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. Further, various awareness programs and printed flyer distribution are also planned for information dissemination.

It has been planned to continue to install energy meters in distribution transformers of all the remaining feeders for loss monitoring.

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

## Project Development

**Kabeli Energy Limited (KEL)**, a SPV with BPC had executed the Project Development Agreement (PDA) with Government of Nepal on 31 January 2010 for the development of the 37.6 MW Kabeli-A Hydroelectric Project BOOT basis. Subsequently the PDA was amended on July 3, 2013. Power Purchase Agreement (PPA) was signed with Nepal Electricity Authority (NEA) on September 24, 2015. Acquisition of private land for permanent structures and leasing of government land was completed.

In the equity part of total capitalized cost of the project, majority of equity is held by Butwal Power Company Ltd. BPC owns 55.6% equity shares in Kabeli Energy Limited (KEL) with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

In the debt part US\$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB was signed and US\$ 40 million loan available from WB is being channelized to Kabeli-A project through Hydropower Investment and Development Company Ltd (HIDCL). US\$ 38.6 million of loan will be provided by International Finance Corporation (IFC).

Kabeli-A Hydroelectric Project (KAHEP) is located in Panchthar and Taplejung districts of Province 1. The project is Peaking Run-Of-River (PROR) type project with a peaking reservoir to be constructed by damming Kabeli River at headworks. The water from the reservoir will be diverted through a 4.5 km long tunnel into a Powerhouse located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132kV Kabeli Corridor Transmission line from the switchyard located at Powerhouse site of the project. The 132 kV Kabeli Corridor transmission line has been separately funded by the World Bank and constructed by NEA.

24 km of access road to the project sites have been constructed and upgraded by the project. Access tunnel excavation work has been completed and main tunnel excavation has been started from headworks site and completed for around 1000 m. Temporary Contractor camps and facilities at headworks and power house sites have been also completed. The construction milestones could not be achieved as scheduled and meeting RCOD has been difficult because of the poor performance of the Civil/HM contractor.

High level critical meetings between KEL, WB, and Owners Engineer were conducted to resolve the design, lack of progress and non-compliances issues of the Contractor. Even after the number of notices issued to the contractor no progress could be achieved and finally the contract was terminated. Contractor has evacuated human resources, materials and plants after the notice of termination effective in April, 2019. Bank paid the Advance Payment Guarantee (APG) sum to KEL after the injunction was lifted by High Court. Contractor has filed petition in Singapore High court for injunction against payment of Performance Guarantee (PG) and the court has issued interim injunction. Recovery plan has been formulated after the Termination of Civil/HM Contractor but has been difficult to implement because of uncertainty of WB loan extension.

A request letter for extension of WB loan has been forwarded by Ministry of Energy, Water Resources and Irrigation to Ministry of Finance. However, delay in the processing of extending the term of the WB loan disbursement is adversely impacting the construction progress to meet the RCOD as per the PPA. All physical works are under suspension now and it is uncertain when the recovery plan will be implemented to resume the construction works.

**Nyadi Hydropower Limited (NHL)**, a SPV of BPC as a majority shareholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project which will generate 168 GWh of energy annually.

The generation license was issued from Ministry of Energy and Power Purchase Agreement (PPA) was signed with NEA and Loan Facility Agreement was signed with Nepalese Consortium of Banks for providing NRs 440 crores of loans to the project.

Contract Agreement was signed with EPC contractor for Civil, Hydro-mechanical and E/M works. The project is connected from Beshisahar to Manang road by construction of bridge over Marsyangdi river and road from Thakanbeshi to project sites. All sites of project have been connected by roads internally. All these roads and a bridge were constructed by the projects on its own cost.

Project construction at site was started on 23rd March 2017. As of September end 2019, the contractor has completed excavation of 3953 m long headrace tunnel. Excavations of adit tunnel, penstock tunnel and diversion tunnel have been completed. Flushing tunnel and surge shaft excavation have also been completed. The contractor is working on tunnel supports and lining. River protection works has been completed.

**Headworks:** Contractor completed the Diversion tunnel and the Distributary works that also works as Cofferdam. Cut-off walls in the dam foundation have been completed. Retaining wall of stilling basin has been completed. Other preparations for weir construction are ongoing.







✓ **Nyadi headworks under construction.**

Excavation of Approach tunnel (230 m long) has been completed and lining is ongoing.

**Underground works:** The contractor completed all the underground excavation works that includes, Intake portal, Intake tunnel, Settling Basin, Head race tunnel, Surge tank, outlet tunnel, Flushing tunnel, Adits, and Ventilation tunnel. The permanent support of the Underground works are complete for Intake tunnel, Settling Basin, Surge tank and Ventilation tunnel and still ongoing for Head race tunnel.

**Penstock:** The total length of penstock is 780 m. The works on saddle support, staircase and anchor blocks are ongoing. The laying of penstock pipe is ongoing. About 205m of concrete casing of penstock has been completed. The fabrication and testing of penstock have been completed.

**Powerhouse, Tailrace and River Training:** The work of Tailrace is complete and the concreting of the Powerhouse building is completed. Only roofing part is remaining. Structural concrete of tailrace, retaining wall and river protection works have been completed in the powerhouse area.

**Other Civil Works:** The construction of Employer Permanent Housing is completed and employees

have been shifted there. The construction of about 14 km access road is completed, however, the works on structural parts of the access roads ongoing. The facilities for the quality control have been established at sites.

**H/M Works:** The installation of embedded parts of the turbine and Generator has been done with the installation of Penstock bend, Bifurcation, branch pipes for the jets, Turbine casing and Generator Base etc. Other installation of cooling pipes etc. necessary to be embedded for Generator and Turbine to the level of the Machine floor of the powerhouse is also completed. Further the installing of EOT crane in the powerhouse is in progress.

**Electromechanical Equipment:** The supplier is manufacturing Electro-mechanical parts in China. Most of the embedded parts have been installed in the powerhouse. The casting of the runner (Turbine) has been completed. No dispatch of major E/M equipment done at site yet.

**Transmission Line:** Inter-connection of the project will be made to the 220kV Marsyangdi Corridor trunk line planned by NEA at Tarikuna Substation, 7 km from the Power House site of Nyadi Hydropower Project. The contract has been

awarded and construction works started for 220 kV transmission line by NEA. The construction of project's 7 km long transmission line is ongoing. As the 220 kV line of NEA is not progressing well so as to meet the COD for power evacuation of Nyadi project, an alternate arrangement has been planned by the project and is being worked out. The progress of construction is in line with the target schedule and undergoing works to meet RCOD.

**Chinokhola Hydropower Project (CKHP),**

survey license was awarded to BPC by DoED/MoE on March 3, 2015. Hydroconsult Engineering Ltd (HCEL) 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. For the EIA study, the scoping document and ToR have been prepared and got approval from the Ministry of Population and Environment on Shrawan 19, 2074. The EIA study carried out in line with approved scoping and ToR has been completed and submitted for government approval. For the detail design of the project, our Chinese Consultant for Marsyangdi cascade projects, QYEC is interested to utilize the power of Chino for the construction of Marsyangdi cascade projects. The project has to be undertaken for construction at the earliest so that the power to be generated from the plant could be ready before start of Marsyangdi cascade projects. The discharge measurement, gauge reading, sediment sample collection and analysis are being carried out as regular activities.

**Mugu Karnali Hydropower Project (MKHP),**

Department of Electricity Development (DOED), Ministry of Energy (MoE) had awarded survey license of Mugu Karnali Hydropower Project to BPC. The prefeasibility study has been carried out and process for feasibility study has been initiated. As per the prefeasibility report, the five schemes are proposed as PRoR and one as storage scheme. The schemes are identified within long stretch of the license area. The project is located near Gamgadhi, the district headquarter of Mugu district. The road is under construction at the project site and expected to be connected by motorable road within few years. Main challenge of the project is power evacuation. As the license can be extended up to maximum three years

from now, we need to get generation license and PPA after completion of feasibility study, EIA and field investigations within this period. Under the present status of transmission line plan, it seems very hard to get connection agreement for PPA. The project will be kept as backup plan for BPC to develop in future when the transmission line project will be finalized and connection agreement is signed with NEA. In order to get the regular extension of survey license, a significant progress has to be demonstrated on the feasibility study, EIA, field investigations and other preparations as mentioned in the survey license.

**Marsyangdi Cascade Projects,**

Butwal Power Company Ltd (BPC) with Chinese partners is developing three hydropower projects namely Manang Marsyangdi Hydroelectric Project (MMHEP), Lower Manang Marsyangdi HEP (LMMHEP) and Upper Marsyangdi-2 Hydroelectric Project (UM-2HEP) in Marsyangdi basin as a cascade development. 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, People's Republic of China. The JV Company is upgrading Beshisaha to Chame road on its own cost to facilitate the development of these cascade projects. The construction of Marsyangdi cascade projects will be started as soon as the regulatory clearances are achieved. The status of the cascade projects are as following:

**Manang Marsyangdi Hydropower Project (135 MW),**

being developed by a SPV named Manang Marsyangdi Hydropower Company Pvt Ltd (MMHCPL) has been acquired by Butwal Power Company Ltd with a view to develop together with the Chinese partners. Share transfer of MMHCPL to BPC has been completed. Handover of documents has also been completed. DoED has issued Generation License (282MW RoR type) for 35 years period from 17 Nov 2018 and connection agreement was signed for 144 MW. Under the Marsyangdi cascade development model, the project has been re-optimized with Peaking RoR type to 135 MW capacity after the consent received from DOED. Energy table for revised capacity of 135 MW has been agreed with NEA and Amendment to Connection Agreement has also been done on April 04, 2019. Updated feasibility report as per the PROR consent has





✔ **Bridge construction over Marsyangdi river for connecting powerhouse of MMHEP.**

been updated and submitted to DOED. As a preparation to start the main construction works after PPA and financial closure, construction and improvement of access roads and Contractor's camp at site is ongoing. The generation license has to be amended as per the updated report and PPA need to be signed in US\$ to get the financial closure and to take the project into construction.

**Lower Manang Marsyangdi Hydropower Project (LMMHP)**, Butwal Power Company Ltd received a survey license in 2009. Feasibility study, EIA and the geotechnical investigations of the project was completed in 2013 and the project capacity was fixed at 140 MW. EIA report got approval by the Ministry of Population & Environment on 2070/12/07 for 140 MW. The connection agreement was signed in 2018 with NEA for 104 MW.

DoED has issued Generation License (140 MW RoR type) on Kartik 18, 2075 for 35 years period after getting the connection agreement. However, so as to fit to Marsyangdi Cascade projects, this project has been re-designed to take tail water of PROR Manang Marsyangdi project so that this project is also a PROR project for which a Consent

for PROR and change in coordinates boundary has been received from DOED. The project now has been re-optimized at 139.2 MW by extending the license boundary upstream and downstream.

The project is located in the southern part of Manang district. The project lies along Beshisahar- Chame road. The road track opened by Nepal Army was narrow and along difficult terrain. This motorable track now is operational with continued improvements and upgrading by the JV company, the developer of Marsyangdi Cascade projects since last two years. Due to very difficult topography and terrain, the road is characterized by narrow width, high gradient, sharp bends and inadequate overhead clearances. The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from this project. The development of this Marsyangdi transmission line is being carried out by NEA. The 220 kV Manang hub (substation) located at Ghalanchowk village of Nashong Rural Municipality in Manang District will be the connection point of cascade projects. The discharge measurement, gauge reading, sediment sample collection and analysis are ongoing as regular activities.



**Upper Marsyangdi-2 Hydropower Project (600 MW)**, a SPV Himtal Hydropower Company Pvt Ltd (HHCP) is developing this project. BPC in joint venture with three Chinese partners have acquired this project to develop together with Manang Marsyangdi and Lower Manang Marsyangdi HEPs. Share transfer of HHCP to JV Company has been completed. PDA is in the process of negotiations with Investment Board of Nepal (IBN). IBN team has visited the Marsyangdi basin projects and conducted stakeholders meetings at different locations. BPC will have 20% stake in HHCP and rest will be owned by Chinese partners.

The project was optimized at 600 MW and DPR was prepared with a view to export power to cross border market earlier. However, considering the Nepal market and NEA's guidelines for PPA, the project has been re-optimized and capacity is fixed at 327 MW. Keeping intact the headworks and powerhouse locations of the project as before, the optimization study has been carried out with additional investigations at sites. The updated report has been submitted to IBN for PDA negotiations and request to NEA for PPA.

## Foreign Collaboration on Project Development

The Joint Venture between BPC and three Chinese Companies named Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) has setup a Joint Venture Company (JVC) and acquired two more hydropower projects in Marsyangdi Corridor. The JVC will develop Lower Manang Marsyangdi Hydroelectric Project (139.2 MW) of BPC and other two projects in Marsyangdi corridor, (i. e. Upper Marsyangdi -2: 327 MW and Manang Marsyangdi : 135 MW ) as a cascade development model.

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.

✔ **Access road improvement for Marsyangdi cascade projects.**



## Corporate Overview

HR undergoes incessant enrichment of skill and competency through various trainings and workshops. The company resolutely believes that the escalation of the company rests in the hands of the employees. Therefore, the HR unit, through the process of human resource accounting, is continuously analysing information which assists the Management to implement and monitor the company's human resource plan in line with the company's vision and goals. Employees' suggestions and grievances are handled to ensure a smooth operation throughout the organization. This also helps in maintaining and improving the industrial relations within the company. Good relationship between management and employees has been maintained. Various trainings were imparted for capacity building and professional growth of the employees and to meet future requirement of the company.

### HUMAN CAPITAL AT THE END OF FY 2075/76

The competency of employees made a strong foundation for company growth. The management of BPC gives a high priority for enhancement of employees' skill and knowledge. Employees' suggestions and grievances are handled to ensure a smooth operation of business throughout the Company. This also helps in maintaining and improving the industrial relations between the employee and Management of the Company. 20 different events including trainings, workshops and seminars were attended and actively participated during FY 2075/76. Collective Bargaining Agreement (CBA) has been made with the Employee Union on Aswin 6, 2076 for Fiscal Year 2076/77 and 2077/78 with the objective of achieving committed industrial environment and peace. CBA has been implemented from Shrawan 1, 2076.

Fiscal Year	Number of employee	Employee Turn-over	Number of Trainings Provided
2075/076	202	32	20
2074/075	224	7	24
2073/074	229	4	13
2072/073	242	9	9
2071/072	272	14	26
2070/071	275	23	16

BPC's total number of employees at the end of the fiscal year is 202.

## General Administration

The assets of the company are adequately insured for FY 2076/77 against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity and burglary, revenue risk (covering loss of profit) and third party liability including materials damage.

Facility Management Unit provides support services of general administrative nature to smoothen day to day operation of the company. Effective space management, event management, operation and maintenance of building and vehicles are the key responsibilities of the unit. Apart from day to day activities, the unit is involved in organizing various events like, AGM, Anniversary Program, Sport Activities, Picnic, Farewell and Dashain Bhoj etc.

The new corporate office building with eight stories is fully occupied and functional. Wind Mill of the capacity of 3 kW (Renewable Energy) has been installed in the BPC building this year in order to save the energy and protect the Environment. In order to support Health, Safety and Environment matters, the periodic disposal of day to day generated waste is managed through outsourcing. Likewise, periodic lab test of drinking water, plantation inside and outside of office premises of Head Office along Dhobikhola corridor and arrangement of stand by First Aid service at all sites are maintained regularly. CC cameras are installed in all sites along with training on awareness and uses of safety intensive equipment such as Personal Protective Equipment, Fire Fighting equipment, Mock Drill practice and Emergency Preparedness Plan activities. No major accidents and incidents of vehicle, personnel and loss of properties occurred this year.

Environment friendly, reliable and secured data centre with high availability is established with reliable network structure in the Head Office. Optical fibre intranet connectivity is in place from Head Office to site offices to transfer and access the data to and fro through VPN technology. Unified communication software is installed for fast communication, video conferencing, file sharing etc. among head office and site offices for

improving productivity and security. Maintaining safe, secured and risk free working environment in ICT.

A 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 communications 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 reliability, security, less heat build-up, faster redeploy, easier backups, better disaster recovery.

Optical fiber is laid out to connect the site offices i.e. Butwal, Galyang, Waling and Jhimruk with Head Office, Kathmandu. There is VPN connection among the site offices to transfer the data, share the internet bandwidth and intranet software applications securely.

EPABX systems are installed in all the site offices and Head Office for inter-com facility. With this facility, communication becomes fast and reliable in minimal cost. Internal website i.e. Intranet is developed to share the information within the organization. In Intranet, customer feedback

survey, online requisition for ICT support, document management etc. are components to make the daily tasks easy and disseminate information in organized and secured way.

Value for Money procurement was done in procuring major Generation and Distribution related materials in fiscal year 2075/76 abiding Procurement Guideline of BPC. It also considers quality, environment and occupational health and safety during the procurement process.

OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and accidental insurance policies of all employees have been maintained. BPC considers that a good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. Therefore, BPC continuously monitors its environmental facets and works related hazards in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents,

✔ **Employees recognized by 25 years long service award at 54th Anniversary of BPC.**



incidence and occupational sickness. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment.

All the activities are carried out in a safe manner enforcing safety measures. A well-developed Safety & Emergency Preparedness Plan is well communicated amongst all to cope up with all emergencies situation like fire, flood, landslide, earthquake etc. to further enhance the health and safety standard in the company. No serious illness, accident, incident and injuries have been reported during the year.

### **Management Review and Responsibilities**

Management Reviews are held twice a year as a schedule program. However, it is also held in between when some important issues demand urgent management attention and action. Management Review Meeting is chaired by CEO with participation of all VPs, SBU heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the Management Representative (MR) of the company. MR ensures that results of QEMS audits (internal and external) are presented and

discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss for continual improvement of Integrated Management System and Process of the company.

### **IMS Periodic Audits and Recertification**

As per Management System Certification Agreement between DNVGL, India (Certification Body) and BPC, the number of Periodic Audits to be performed during a 3 year audit cycle (May 2017 – May 2020) is 2 audits. In this process, 1st IMS Periodic Audit was successfully conducted on 17-23 June, 2018 at BPC site offices, Andhikhola Hydropower Centre, Butwal Liaison Office and BPC Corporate Office, Kathmandu. Likewise, 2nd IMS Periodic Audit was also conducted on 16-22th June 2019 at BPC site offices, Jhimruk Hydropower Centre, Butwal Liaison Office and its Corporate Office, Kathmandu. As per Management System Certification Agreement between DNVGL, India (Certification Body) and BPC, Recertification audit to be performed before the deadline of the ISO certificates. In this process, Recertification audit is plan to conduct in May 2020 by the DNVGL.





# ENTERPRISE RISK MANAGEMENT

## **Risk Management Framework**

Risk management is the process of reducing the possibility of the risks at an organization. It is a continual and developing process which runs throughout the organization's strategy and implementation. The risk management addresses the risks surrounding the organization's activities of past, present and future. It needs to be integrated into the culture of the organization (BPC) with an effective policy and program led by the top management.

Risk management is mandatory part of BPC and has become an urgent need to address through a proper mechanism. It includes the risk identification, risk assessment, risk planning and risk monitoring. BPC has been continually assessing and monitoring the risks at different levels of management to ensure that they do not adversely affect the organizational objectives. The business units have the main responsibility for risk management, utilizing established policies

and procedures. Their work is coordinated by Functions/ SBUs at the corporate level. The Risk Management Committee at board level regularly reviews and evaluates the overall risk management system and environment within the Company.

## **Risk Mitigation and Risk Reporting**

Enterprise Risk Management Manual is prepared to handle and manage the risk. The manual helps to identify, assess, plan and monitor the hazard and associated risks as well as pro-active actions to eliminate or mitigate these risks. All possible risks have been analyzed in a high-low matrix in risk register to mitigate those risks. Risk register is reviewed and updated twice in a year. Risks are avoided, accepted, reduced and transferred depending upon the nature of risks.





Risk register, risk response action plan and the action taken report are prepared for the purpose of risk reporting. Risk response action taken report is prepared quarterly through MIS. Identified risks are effectively managed through reporting and review to ensure that appropriate controls and responses are in place. The whole process of risks assessment and risk management strategies is reviewed by the risk management committee at board level. Different levels within organization i.e. individuals, SBUs, and the Top Management needs different information from risk management process and are regularly being reported and communicated. The Board is reported with the major and significant risks quarterly. The Stakeholders are communicated about the major and strategic business risks and preventive mitigation measures through annual report.

### **Generation Risk**

Andhikhola Power house is 250 m down from the ground surface and the plant is being operated from control room. The powerhouse is unmanned. Due to long vertical distance the problem of signal interference/loss may cause

plant to shutdown. The effective management of spare parts has been kept in place for quick maintenance of plant as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time to increase the generation. The variation of water in the Andhikhola River is one of the major factors of variation in power generation.

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



### **Distribution Risk**

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 4.02% and energy purchase increased by 1.73% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also coming in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it is necessary to timely revise the existing distribution tariff and limit the expansion within licensed areas only.

### **Project Development Risk**

BPC is exposed to risks in its operating plants, investments in Khudi and Khimti plants and new undergoing projects. Through SPV two projects Kabeli-A (37.6 MW) and Nyadi (30 MW) under construction and three projects Lower Manang, Chino and Mugu Karnali are under development directly by BPC. BPC has been also involved in

two additional Marsyangdi cascade projects. Kabeli-A hydropower project construction is delayed and not sure whether this project will be commissioned timely to meet RCOD because of the uncertainty of WB financing and contract termination. The consequences arising from the termination of EPC contractors are the legal implications and financial loss. Likewise, BPC has also acquired shares in Manang Marsyangdi (135 MW) and Upper Marsyangdi-2 (327 MW) HEPs under the Marsyangdi cascade development being developed jointly with Chinese partners. BPC has been experiencing challenges and risks in executing these projects because of the delays in achieving PPA, PDA, approvals and clearances. The risks associated with the project development are categorized as technical, socio-political, financial and legal at different stages of project development like Planning, Design, Construction and Operation and Maintenance.

Technical risks are poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise socio-political risks are demands of financial support, work interruptions, labour strike, local support, intimidations, poor



performance of contractors/consultants, road blockade etc. Financial risks are price hike, time and cost overrun, fluctuations of bank interest rates and foreign currency exchange rates, penalties, energy deficit etc. Legal risks could be delay in government approvals, PPA, Connection agreement, imports of goods, materials and equipment from third countries, environmental issues and unnecessary burden on custom /duty clearances etc.

Some of social risks have been minimized by means of CSR activities and some risks which are associated with politics and socio-culture are beyond the control of the project company. 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 the new projects, under-construction projects and business operation.

### **Financial Risk**

The company uses debt in addition to equity financing to meet financial obligations. The company is primarily facing Credit risk, Interest rate risk and Investment risks. The Company has

borrowed substantial amount term-loan and operating loan thereby creating the interest rate risk to significant extent. Since interest rate risk is influenced by market forces, BPC has minimal role to play for minimizing this risk. BPC has made swap arrangement to minimize the interest risk associated with foreign currency. In order to control liquidity risk and for better working capital management, BPC has made arrangement of adequate level of OD facility for short term financing.

### **Price Risk**

For purchase of goods, it is limited to the foreign currency exchange variation particularly in case of Specific and Original Equipment Manufacturers' spares from abroad. For other purchase, it is subject to market variations. There is no price risk on sale of power as the company has fixed rate power purchase agreement with NEA.

### **Investment Risk**

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

# SENIOR EXECUTIVES





**FROM LEFT TO RIGHT:**  
**Mr. Tikaram Bhatta** — VP- Corporate  
**Mr. Ganesh P. Khanal**  
— Sr. Manager- Business Development and Projects  
**Mr. Prakash Kumar Shrestha**  
— Head- Operations  
**Mr. Uttar Kumar Shrestha** — CEO  
**Mr. Pratik Man Singh Pradhan**  
— VP- Business Development and Projects  
**Mr. Radheshyam Shrestha** — VP- Finance  
**Mr. Ratna Sambhava Shakya**  
— Chief Manager- Finance



**HEAD OFFICE, KATHMANDU**



**ANDHIKHOLA HYDROPOWER CENTER**



**JHIMRUK HYDROPOWER CENTER**



**BUTWAL OFFICE**



WALING OFFICE



RAMPUR OFFICE



# SHAREHOLDER'S INFORMATION

The Shareholding pattern of BPC as on end of Ashadh, 2076 is as under:

S.N.	Shareholders	No. of Shares	Holding %
1	Shangri-La Energy Ltd.	13,732,472	56.27%
2	Government of Nepal	1,810,489	7.42%
3	IKN Nepal A.S., Norway	385,452	1.58%
4	United Mission to Nepal	333,556	1.37%
5	Nepal Electricity Authority	210,348	0.86%
6	General Public Shareholders		
6.1	NMB Bank Ltd.	458,897	1.88%
6.2	Kamana Sewa Bikas Bank Ltd.	324,114	1.33%
6.3	Other General Public shareholders	7,150,226	29.29%
	<b>Total</b>	<b>24,405,554</b>	<b>100.00%</b>

## Share Trading Information

Market response for BPC stock was normal in FY 2075-76 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 2075-76 are given below:

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	353.82	163.76	4394	496	429	477	463	62
Second	241.59	105.20	2720	484	365	375	435	60
Third	185.33	65.99	2538	398	332	360	356	60
Fourth	1121.44	458.45	6200	459	353	409	409	64
<b>Total</b>	<b>1902.18</b>	<b>793.40</b>	<b>15852</b>	<b>496</b>	<b>332</b>	<b>409</b>	<b>417</b>	<b>246</b>

All shares are being traded in Nepal Stock Exchange Ltd. (NEPSE) in active market. NMB Capital Limited is the Share Registrar of BPC.

Share Status	No. of Shareholders	No. of Shares
Physical Shareholders	255	2,427,804
Demat Shareholders	73,962	21,977,750
<b>Total</b>	<b>74,217</b>	<b>24,405,554</b>

# CORPORATE SOCIAL RESPONSIBILITY

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

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

In Jhimruk Center. River training has been done for the protection of land in Jhimruk and Madi River. Different mitigation program has been conducted such as skill development program, Income generation program, lift drinking water supply. Also support was provided to various activities of clubs and other social organization.

Similarly, at the Andhikhola Center, river training has been done for the protection of land in Chartikhola. Support was provided for road maintenance and irrigation canal construction and maintenance. Also, financial support was provided to AAMA mitigation, schools, various activities of clubs and other social organization.

BPC has been Implementing CSR program annually in the field of river training, social upliftment program, infrastructure development, nursery and forestry, community and environment protection and support to social institutions. The expense on these activities are more than 1% legal requirement. Annual report on CSR activities has been reported to Department of Industry as a part of compliance.





# HEALTH, SAFETY & ENVIRONMENT

Good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company.

BPC continuously monitors its environmental facets and works related hazards in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, incidence and occupational sickness. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment. Annual routine health check-up was conducted of all BPC employees. No serious illness was found during thorough check-up to any employee. No accident, incident and serious injuries have been reported during the year.

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



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

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

BPC has been recertified with three ISO standards ISO 9001:2015 Quality Management Systems, ISO 14001:2015 Environment Management Systems and ISO 18001:2007 Occupational Health and Safety. Internal Audit being the requirement of ISO is a mechanism of continual

improvement, means of communication about the result of audit and helps to provide ways to improve on them.

An IMS awareness training /orientation program was conducted in BPC site offices to improve the knowledge of BPC Staffs on ISO, EMS and OHSAS and gain practical knowledge regarding identification of risk, hazard and how to save lives from the emergency situation and make them familiar with occupational related disease and techniques of first aid method and safety management.

Controlling environmental impact is based on the Prevention of Pollution. It is the use of processes, practices, techniques, materials, products, services or energy to avoid, reduce or control the creation, emission or discharge of any type of pollutant or waste in order to reduce adverse environmental impacts.

Prevention of pollution can include a source reduction or elimination; process, product or service change; efficient use of resources; material and energy substitution; reuse; recovery; recycling; reclamation or retreatment. Environmental aspect register is prepared to minimize and mitigate environmental impacts.



# SUSTAINABILITY

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

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

BPC is certified with three ISO standards: 9001:2015, 14001:2015 and 18001:2007. This is the good evidence of its administrative values, quality service delivery and its commitments to the social and environment. BPC has been awarded numerous other credentials that reflect its commitments to quality, environment and occupational health and safety--International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category is also a good example of this. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been continuously rewarded with National Best Presented Accounts (BPA) Award – 2017 in the category of General Sector for excellence in the presentation of financial statement and annual report.

## Social Responsibility Initiatives

BPC is sensitive for the excellent social performance and situation for the peoples of the project area. So, to keep excellent social performance of the people of its project areas, BPC has conducted several social development programs in its project areas. Jhimruk downstream mitigation project (JDMP) is the one of the best example of the social initiatives. Similarly, BPC conducts Social Impact Assessment 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. Jhimruk downstream mitigation project (JDMP) is an example, where, BPC has been able in mobilizing resources to implement activities in the field of social, environmental and economic development. Further, awareness programs and capacity building trainings programs have been carried out to enhance skills and knowledge enabling communities to initiate new economic activities. As a result, BPC is confident that these endeavours will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development. In recognition of company's excellence in mitigating the environmental and social impacts from AndhiKhola Hydropower Plant and producing environment friendly hydropower, BPC was rewarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

## Environmental Relative Initiatives

BPC is sensitive to the environmental concerns in its project area. BPC has always kept conservation and protection of environmental resources as one of its key strategy while carrying out its business. BPC, not only provides electricity through its generation project but also focus on green energy and sustainable development. BPC is constructing its new office building based on principles of the Green Building, which is a holistic approach that addresses concerns of environment protection, resource conservation, and energy efficiency ensuring the highest level of use of renewable energy and healthy indoor environmental quality. The new BPC building aspiring to be the first Nepalese Building to be accredited with prestigious Leadership in Energy and Environmental Design (LEED) certification by US Green Building Council based at Washington. As part of the environmental development program, recently, BPC has been conducted plantation program in the Dhobikhola corridor/ periphery areas. The main objective of the program was to develop greenery and to protect environment of the areas. In this process, BPC has been contributing to environmental causes beyond the legal requirements such as IEE, EIA studies etc.

## 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 (EMS) throughout the company to measure, control and reduce the environmental impact. BPC is fully compliant with various environmental protection and health and safety laws and regulations. In its constant endeavour to be fully compliant with all regulatory standards, BPC has instituted a compliance management system, which ensures that the Company is in full compliance to all applicable legal requirements. Prior to the implementation of new projects the potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of project.

BPC is very much concerned in environmental and social obligations in hydropower development. Similarly, BPC takes initiation for the conduction of EIA and IEE for its any development projects and always follow Environmental Protection Act, 2054 and EPA, 2054 and its amendments. The company is also committed to CSR and takes great care to address the societal, environmental and stakeholders concerns while carrying out its business. We have voluntarily taken steps to improve the quality of life of local communities where we do business. Before launching any programs/projects, BPC conducts SIA study to know the socio-economic baseline, its impacts and to recommend mitigation measures in the area. BPC has also followed all the relevant government rules and regulations in context of the hydropower development.

The project has always encouraged the local people for the project job and opportunities. About 70% local people are still getting employment opportunity in the AndhiKhola and Jhimruk Hydropower Centres.

## Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and occupational health and safety management system (QEHMS) is established, implemented and maintained in accordance with the requirements of QMS 9001:2015, EMS 14001:2015 and OHSAS 18001:2007 standards. Its integrated form has been termed as integrated management system (IMS). Based on the IMS, organization's reporting system has been developed and it controls quality of reporting system. It also assures for the timely availability of internal and external resources for uninterrupted supply of power to the local consumer and national grid to the complete satisfaction. The continual improvement of IMS is being checked by the internal and external audits. Likewise, the continual improvement of IMS is being ensured in the management review meetings, with the review of the improvement requirements in the company processes on continued terms.



# BPC SUBSIDIARIES

Construction ongoing  
for penstock pipe  
installation in Nyadi HP.



# Nyadi Hydropower Limited

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

After the issuance of generation license from Ministry of Energy, further Power Purchase Agreement (PPA) signed with NEA; Facility Agreement has been signed with Nepalese Consortium of Banks on 20th Magh, 2072 for providing NRS 440 crores of loans to the project. Everest Bank Limited is the lead bank of the Consortium banks. Majority of equity has been injected by BPC as a major equity holder. Contract Agreement is signed with EPC contractor for Civil, Hydro-mechanical and E/M works. The project is connected from Beshisahar to Manang road by construction of bridge over Marsyangdi river and access road from Thakanbeshi to project powerhouse site. All sites of project structures have been connected by road internally. All these roads and a bridge were constructed by the projects on its own cost. The IEE study for the Nyadi Hydropower Project was completed and approved from the Ministry of Energy on 21st Bhadra, 2068. EIA study of 7 km long transmission line has also been approved by Ministry of Population and Environment (MoPE). The project is under fully construction after acquiring all required permanent land and leasing government lands.

Project construction at site was started on 23rd March, 2017. Currently, the contractor has completed excavation and permanent support of headrace tunnel with total length of 3,937 m, underground Settling basins, Adit tunnels, penstock tunnel and diversion tunnel, Flushing tunnel, Ventilation tunnel and surge shaft.

All the civil works of the Powerhouse including the tailrace box culvert has been completed. River protection works at powerhouse site has been completed. The Construction of preparation for weir at headwork site is ongoing. Fabrication of the penstock has been completed

and its installation is 60% complete with the Construction of saddle supports and anchor blocks.

Most of the Equipment of the Electro-mechanical works has been delivered to the site and its installation works are in progress. The contract for construction of 132kV transmission line has been awarded, and the contractor has completed the 60% of foundation concreting works and the Tower material already reached custom border of Nepal. NEA has invited tender for construction of 220kV Udipur-Khudi-Manang Transmission Line including sub-station at Tarikuna, Khudi. The power generated from NHP was planned to be delivered to NEA at Tarikuna sub-station. As the power evacuation substation of NEA is not likely to be completed by the COD of the project. NHL started the alternative evacuation plan as approved by NEA with the extension of its substation and the Construction of additional 3.4km of 132kV Transmission Line.

The required commercial operation date of NHP is scheduled in April 18, 2020. NHP will generate 168.5 GWh annually. By the end of this fiscal year, the process of public issuance of share is expected very soon.

## PROJECT FACT SHEET

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

**Project Location:**

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

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

**Installed Capacity:** 30 MW

**Annual Energy Generation:** 168.5 GWh

**Design Discharge:** 11.02 Cumec at Q40

**Gross head:** 333.90 m

**Head Race Tunnel:** 3937 m

**Power Evacuation:** Inter-connection will be made to the Marshyangdi Corridor

Transmission line planned by NEA at Khudi Hub.

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

Headworks Site is 5 km further away from Power house.



▲ Nyadi powerhouse construction in progress.

# Kabeli Energy Limited

Kabeli Energy Limited has been established to execute the Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. The project is located between elevations 400 m and 600 m above mean sea level in Panchthar and Taplejung districts, in the eastern part of Nepal. The project area is accessible through Mechi Highway. The headwork and powerhouse work sites are accessible by 8 km and 16 km long access roads from respective Mechi Highway points.

This project is a daily pondage run-of-river type with installed capacity of 37.6 MW and will generate 205.15 GWh energy annually. It utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharge into Tamor River after power generation. The gross head of the project is 116.8 m and the design discharge based on 40 % flow in the river is 37.73 m<sup>3</sup>/s.

Project Development Agreement with Government of Nepal (GoN) was signed in January, 2010 and amended in 2013. All necessary preparation and clearances before commencing the construction including completion of updated Feasibility study and

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

## PROJECT FACT SHEET

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

**Project Location:** Head Woks site- Headwork's site lies in Dhuseni area of Hiliang 1 Rural Municipality of Panchthar on the left bank and Yangwarak 2 Rural Municipality of Taplejung.

**Power House 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 m<sup>3</sup>/sec at Q40

**Gross Head:** 116.8 m

**Head Race Tunnel:** 4327 m

**Power Evacuation:** Power evacuation from switchyard of KAHEP

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

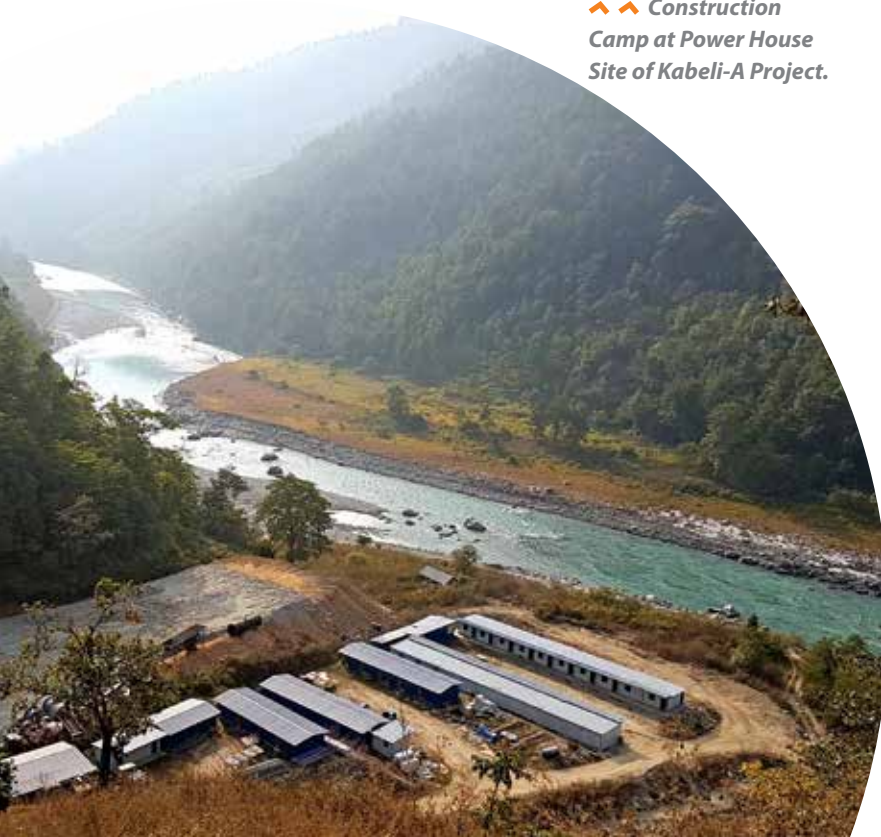
**Headwork's - 8 km from Mechi highway**

**Powerhouse - 16 km from Mechi highway**

IEE and its approval by GON, signing of PPA with NEA, purchase of required private land and lease approval of forest lands from government have been completed. In lieu of 1.316 hectares of permanently leased forest land, equal land has been compensated to concerned District Forest Offices of Panchthar and Taplejung. Similarly major construction contracts in Civil and Hydro-mechanical package as well as electro-mechanical package are signed.

Civil and Hydro-mechanical Contractor is already mobilized at site and progressing the related construction works. Contractor already has setup Crusher, batching plant and laboratory to expedite the construction works. The contractor has started the excavation of the Head Race Tunnel and has completed excavation of 1000 m. approximately by the end of fiscal year. Contractor's Camp at Powerhouse and Headwork's site is completed. The area grading and the slope protection works as well as preparation work for the permanent housing is in progress at the power house location.

Debt financing of the project is arranged from World Bank (through Hydroelectricity Investment and Development Company Limited (HIDCL) and International Finance Corporation (IFC). NIC Asia Bank Limited has been appointed local transaction bank and Security Agent for such loans. Master Security Agreement, Accounts Agreement, Inter-creditor Agreement have been signed. Fitchner GmbH has been appointed as Lender's Engineer and AECOM India has been appointed as Independent Environment and Social Consultant (IESC) as per lender's requirement.



# Nepal Hydro & Electric Limited

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

NHE's capabilities include design, manufacturing, installation, testing and commissioning of heavy penstock pipe, hydraulic gate, trashrack, stoplog, micro and mini-hydro turbines, housing and casing of medium size turbines, HV substations, galvanised steel telescopic pole and heavy steel bridge. Repairing of all the equipments mentioned above, transformers up to 30 MVA 132 kV, 11 kV HV Generators and Motors.

NHE's major Hydropower project accomplishments are Lower Mai (2.4MW), Khudi (4MW), Siuri (5MW), Andhikhola (9.4MW, upgrading), Siprin (9.6MW), Jhimruk (12MW), Puwakhola (6.2MW); Modi(14MW), Chilime (20 MW), Khimti-I (60MW), Middle Marsyangdi (70MW), Kali Gandaki 'A' (144 MW) Hydropower Plant.

In addition to accomplishment of major EPC high voltage substation contracts (132kV and 66kV) for NEA are 30 MVA Chandranigahpur

substation, 2x45 MVA Parwanipur substation, 63 MVA Yogikuti substation Butwal, 2 x30 MVA Butwal-Kohalpur Substations, 7x 16.6 MVA, XLPE Cable laying and GIS at Chapali Substation Augmentation Kathmandu Projects, Kohalpur-Mahendranagar 132kV 2nd Circuit Transmission Line Project (6 substations, contract amount NPR 820 million); 132kV Grid Substation Reinforcement Project (8 substations, contract amount NPR 660 million), Kulekhani-I Hydro power Station (contract amount NPR 70 million).

NHE has been awarded NEA Projects as;

- 132kV Purbi-Chitwan Substation Project
- Kirtipur 132kV Substation under Dordi Corridor Project and
- 33/ 11kV Rehabilitation Project

Other major ongoing Projects are Sanjen (14.5 MW, Upper) and Sanjen Projects (42.5 MW) HM Equipment works & Mistri Khola (42MW) HEP.

▲▲ Jhimruk runner being repaired at NHE mechanical workshop.



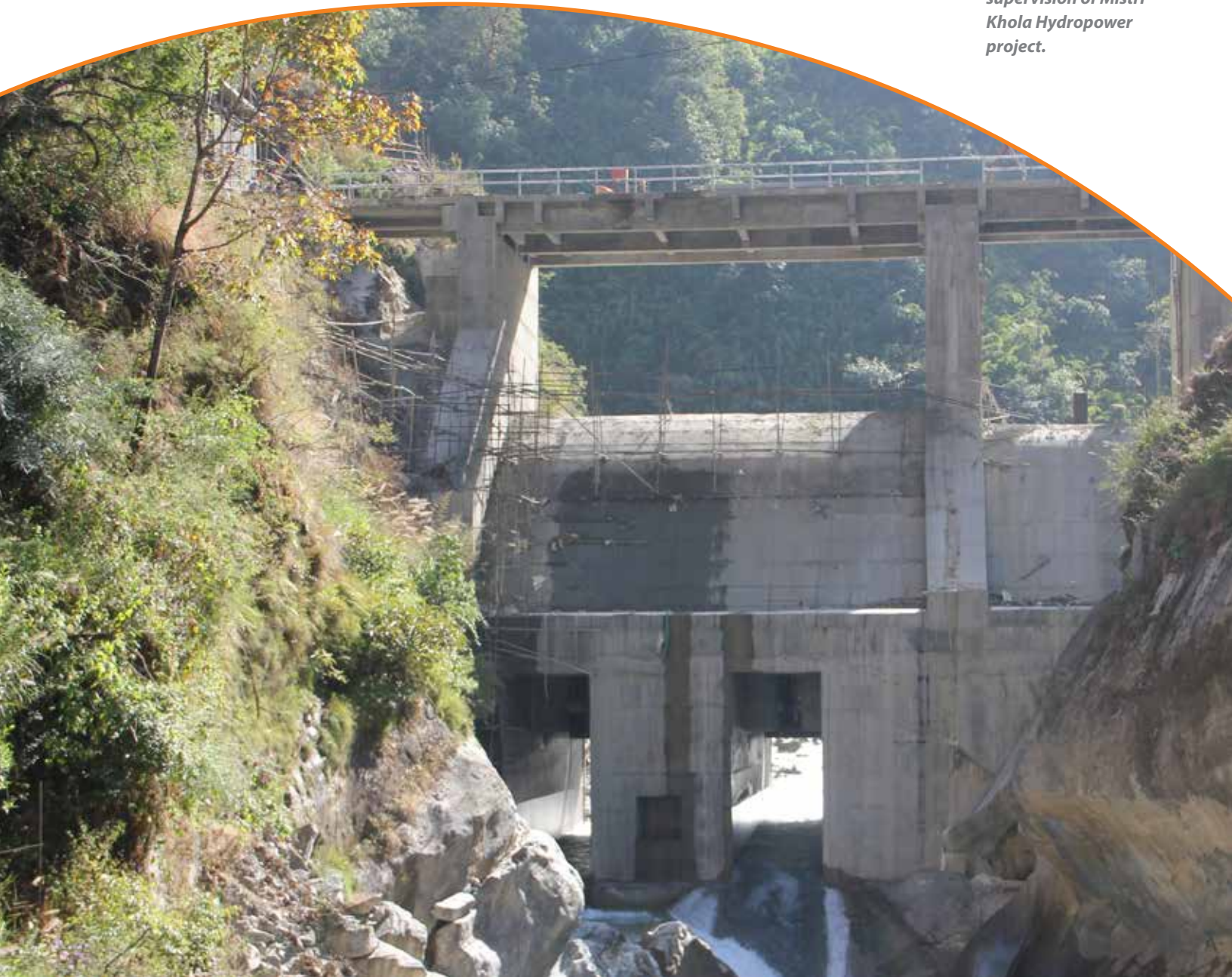
## Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) provides consultancy services in water resource based infrastructure development and works with water, land and people while respecting the local socio-ecological systems. HCE investigate, design and assist to develop hydropower projects in Nepal and abroad. HCE offer services in water supply, irrigation, and transportation sectors as well.

HCE initially was established as a consulting and engineering business of BPC in 1966. In 2009, Engineering Department of BPC was established

as an independent entity; Hydro Consult Private Limited (HCPL), by acquiring major shares in an existing form that was being run by People Energy and Environment Development Association (PEEDA). BPC, along with its ongoing consulting business; transferred goodwill, technical data and reports including intellectual property, staff and assets of Engineering Department (BPC Hydroconsult) to HCE. HCE was transformed into public limited on September 18, 2012, renowned as the first engineering consulting firm registered as public limited company in Nepal. At present, BPC holds 80% share of HCE and 20 % share is held by PEEDA.

▲ **Construction supervision of Mistri Khola Hydropower project.**



Presently, HCE is recognized for its quality and stands among the best consulting company in the hydropower sector of Nepal. The Consultant has three decade long 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.

HCE has completed more than 100 projects in the past and has completed Feasibility Study and Environmental Impact Assessment of Budhiganga HEP (11MW), Siwa Khola HEP (26.95 MW), Sankhuwakhola-HEP (41.06 MW) and Sankhuwakhola-I HEP (40.82 MW) for Department of Electricity Development (DOED).

Feasibility Study of Mugu Karnali HEP (Phase -1) (160 MW) and Mistri Khola – 2 (12 MW), Due Diligence Appraisal of Bhim Khola (4.9 MW), Lower Irkhuwa Khola HEP (14,15 MW), Sapsup Khola (7.1 MW), and Rehabilitation of Khudi (4 MW) and Jhimruk Upstream Channel are few examples of the projects completed for the Independent Power Producers (IPPs) in this year FY 2075/76.

Bhotekoshi V (62 MW), Likhu 2 (55 MW), Seti Nadi (HEP (25 MW), Landruk Modi HEP (86 MW) and Upper Tadi (11 MW), Palun Khola SSP (21 MW), Hidi Khola (6.82 MW) are some of the examples of ongoing projects of detailed design for the IPPs.



▲ **Construction supervision of Ghar Khola Tunnel.**

Currently, at international level, the Company is engaged in the Feasibility Study of 440 MW Kari-Muskera HP and 110 MW Gabral-Kalam Hydropower Projects in Pakistan and 5.8 MW Gura SHP in Kenya. The Company is also carrying out Detailed Feasibility Study of 104 MW Kaligandaki Tinau Multipurpose Project and Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project (SMIP) Headworks for the Department of Irrigation (DOI), and Feasibility and IEE Study of Nyaurigad (4.01 MW), Kwadi Khola (30 MW) and Bheri Khola (4.1 MW) HEPs for the Department of Electricity development (DOED).

The Company is also engaged in Construction Supervision of 86 MW SoluKhola (Dudhkoshi), 42 MW Mistri Khola, 30 MW Nyadi and 14 MW Ghar Khola HP.

HCEL is able to earn net profit of NPR 25.62 million resulting earning per share NPR 174.01 and net worth amounting to NPR 121.87 million as on 16th July 2019.

# Khudi Hydropower Limited

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

The overall performance of the company has satisfactory this year. Operation has focused on timely repair/maintenance, river training work and flood monitoring during the monsoon season and cost minimization. The company recorded revenue of NPR 96.1 million in FY 2075/76 with 6.1% increase from last year. The company earned a net profit of NPR 26.75 million with decrease of 3.4% in comparison to last year. The decrease is mainly due to the major repair works.

The Khudi River is itself unpredictable, with occurrence of frequent boulder laden flash floods during monsoon containing a huge quantity of sediment. Occurrence of high floods has been recorded previously, damaging various project structures. This high silt content during monsoon season is the major cause for severe erosion of

## PROJECT FACT SHEET:

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

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

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

**Installed Capacity:** *4.00 MW*

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

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

**Gross Head:** *103 m*

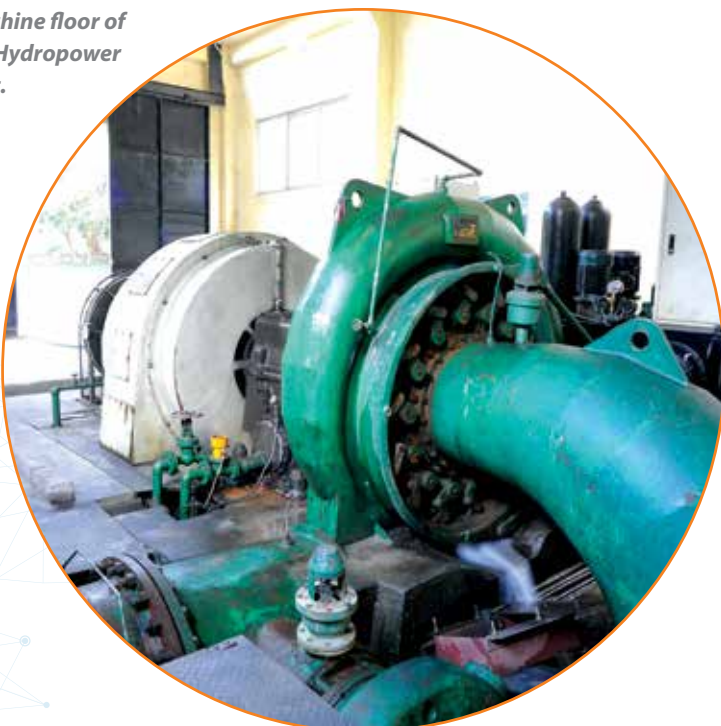
**Intake and Penstock:** *A side intake, just upstream of the diversion weir placed across the river, diverts the flow into the approach canal which conveys the flow from intake to settling basin. From the settling basin, the flow enters into the 2471 m long headrace pressurized pipe.*

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

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

*Headworks Site is further 2.5 km away from Power house.*

▲ Machine floor of Khudi Hydropower Project.



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

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

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

BPCSL's incurred a net profit of NPR 0.92 million after tax in the FY 2075-76. The net worth of BPCSL as on July 16, 2019 stands at NPR 15.0 million.

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector, for which the Government of Nepal (GoN) and Independent Power Producers (IPPs) are working together for more effective results. The development of this sector has necessitated the dire need of expertise for successful operation and maintenance (O&M) of the power plants for sustainability and yielding the desired return on investment. This creates a good market opportunity for the company which can provide operation and maintenance services



to hydropower plants. BPCSL has acquired sound experience and excellent expertise in operation and maintenance (O&M) of hydropower plants and is the only of its kind in the nation that has the competency of providing similar services to upcoming projects of any capacity. BPCSL has been aiming to capture such market opportunity and be in a position to cater their needs from the construction to testing & commissioning and OMM.

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

# FIVE YEAR FINANCIAL SUMMARY

## FIVE YEAR SUMMARY OF STATEMENT OF FINANCIAL POSITION

*in thousand NRs*

Particulars	2071/72 2014/2015 (Restated)	2072/73 2015/2016 (Restated)	2073/74 2016/2017	2074/75 2017/2018	2075/76 2018/2019
<b>ASSETS</b>					
<b>Non-Current Assets</b>	<b>4,634,395</b>	<b>4,699,565</b>	<b>4,953,923</b>	<b>5,391,087</b>	<b>7,024,001</b>
Property, Plant and Equipment	305,322	298,544	360,154	358,484	338,771
Project Work in Progress	155,788	163,939	175,321	206,563	221,267
Intangible Assets	1,980,296	1,978,387	1,961,694	1,954,317	1,927,473
Capital Work in Progress	23,577	41,865	3,140	2,382	534
Investment in Shares	2,162,538	2,213,367	2,447,419	2,866,934	4,530,307
Other Non-current Assets	6,874	3,465	6,195	2,407	5,649
<b>Current Assets:</b>	<b>511,823</b>	<b>515,191</b>	<b>415,410</b>	<b>2,294,505</b>	<b>925,269</b>
Inventories	40,995	52,071	60,111	44,986	42,779
Trade Receivables	90,790	87,468	83,406	88,266	98,680
Cash & Bank Balance	85,767	65,756	66,276	613,202	347,103
Other Financial Assets	214,986	225,866	120,406	1,469,544	373,396
Other Current Assets	13,592	12,325	10,906	10,557	18,921
Current Tax Assets (Net)	62,522	71,705	74,305	67,950	44,390
Assets Held for Sale	3,170	-	-	-	-
<b>Total</b>	<b>5,146,218</b>	<b>5,214,756</b>	<b>5,369,333</b>	<b>7,685,592</b>	<b>7,949,270</b>
<b>EQUITY &amp; LIABILITIES:</b>					
<b>Equity</b>	<b>3,774,028</b>	<b>3,977,850</b>	<b>4,392,459</b>	<b>6,510,197</b>	<b>6,901,281</b>
Equity Share Capital	1,673,223	1,673,223	1,810,572	2,218,672	2,440,555
Other Equity	2,100,805	2,304,627	2,581,887	4,291,525	4,460,726
<b>Non-Current Liabilities</b>	<b>1,047,171</b>	<b>880,304</b>	<b>693,506</b>	<b>860,777</b>	<b>810,570</b>
Grant Aid in Reserve	200,516	202,171	202,344	208,575	202,660
Borrowings	756,768	580,290	368,483	328,271	233,520
Other Financial Liabilities	11,328	4,192	-	-	-
Provisions	17,607	16,812	15,126	10,034	10,939
Deferred Tax Liabilities	29,287	50,785	83,748	291,433	339,337
Other Non-Current Liabilities	31,666	26,055	23,806	22,464	24,114
<b>Current Liabilities</b>	<b>325,018</b>	<b>356,603</b>	<b>283,368</b>	<b>314,618</b>	<b>237,419</b>
Borrowings	122,105	236,885	98,546	161,155	94,989
Trade Payables	84,171	31,519	72,431	28,027	25,507
Other Financial Liabilities	77,886	30,916	36,741	29,812	38,242
Provisions	1,242	1,877	1,666	777	1,460
Other Current Liabilities	39,614	55,406	73,984	94,847	77,221
	-	-	-	-	-
<b>Total</b>	<b>5,146,218</b>	<b>5,214,756</b>	<b>5,369,333</b>	<b>7,685,592</b>	<b>7,949,270</b>



## FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

in thousand NRs

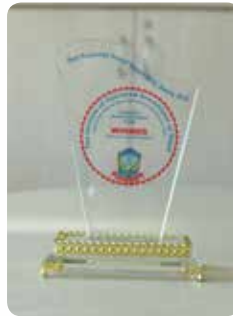
Particulars	2071/72	2072/73	2073/74	2074/75	2075/76
	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>INCOME</b>					
<b>Operating Income</b>					
Electricity Sale to NEA	402,356	460,333	478,869	477,098	486,830
Electricity Sale to Consumers	114,589	125,291	173,854	177,401	187,203
Electricity Services	6,247	9,956	10,149	11,868	9,045
<b>Total Operating Income</b>	<b>523,192</b>	<b>595,580</b>	<b>662,872</b>	<b>666,367</b>	<b>683,078</b>
<b>Income from Other Sources</b>					
Financial Income	37,767	14,949	8,964	92,597	151,540
Dividend Income	433,103	531,768	556,964	512,267	578,954
Gain (Loss) on Disposal of Assets & Stock Materials	(624)	2,781	2,647	760	6,571
Depreciation Being Revenue Portion of Grant Aid	11,640	6,651	6,930	7,183	7,681
Other Income Including Forex gain/loss	40,669	15,983	22,178	38,931	28,184
<b>Total Non- Operating Income</b>	<b>522,555</b>	<b>572,132</b>	<b>597,683</b>	<b>651,738</b>	<b>772,930</b>
<b>Total Income</b>	<b>1,045,747</b>	<b>1,167,712</b>	<b>1,260,555</b>	<b>1,318,105</b>	<b>1,456,008</b>
<b>EXPENDITURE</b>					
Generation Expenses	302,490	252,315	282,948	263,259	266,312
Distribution Expenses	94,660	90,497	97,270	110,855	137,045
Administrative Expenses	129,003	114,928	121,502	126,150	164,256
Impairment Loss in Investment	(17,364)	725	(1,073)	2,244	1,830
Finance Costs	41,234	80,751	73,855	65,393	41,628
<b>Total Expenditure</b>	<b>550,023</b>	<b>539,216</b>	<b>574,502</b>	<b>567,901</b>	<b>611,071</b>
<b>Net Profit Before Tax</b>	<b>495,724</b>	<b>628,496</b>	<b>686,053</b>	<b>750,204</b>	<b>844,937</b>
Current Tax Provision	-	-	-	19,318	46,730
Deferred Tax Expenses	15,895	9,067	18,031	28,623	37,872
<b>Net Profit After Tax</b>	<b>479,829</b>	<b>619,429</b>	<b>668,022</b>	<b>702,263</b>	<b>760,335</b>

# AWARD & RECOGNITION

## Best-Presented Annual Report Award 2018

The Institute of Chartered Accountants of Nepal awarded BPC as winner of "National Best-Presented Annual Report Award, 2018". CEO of BPC Mr. Uttar Kumar Shrestha has received this award from the honourable Minister of Finance Mr. Yubaraj Khatibada on 23rd July 2019 at a function in Hotel Soaltee organized by ICAN.

We take pride in having received "National Best Presented Annual Report Award" continuously for last 11 years in the General sector for excellence in the presentation of its financial report.

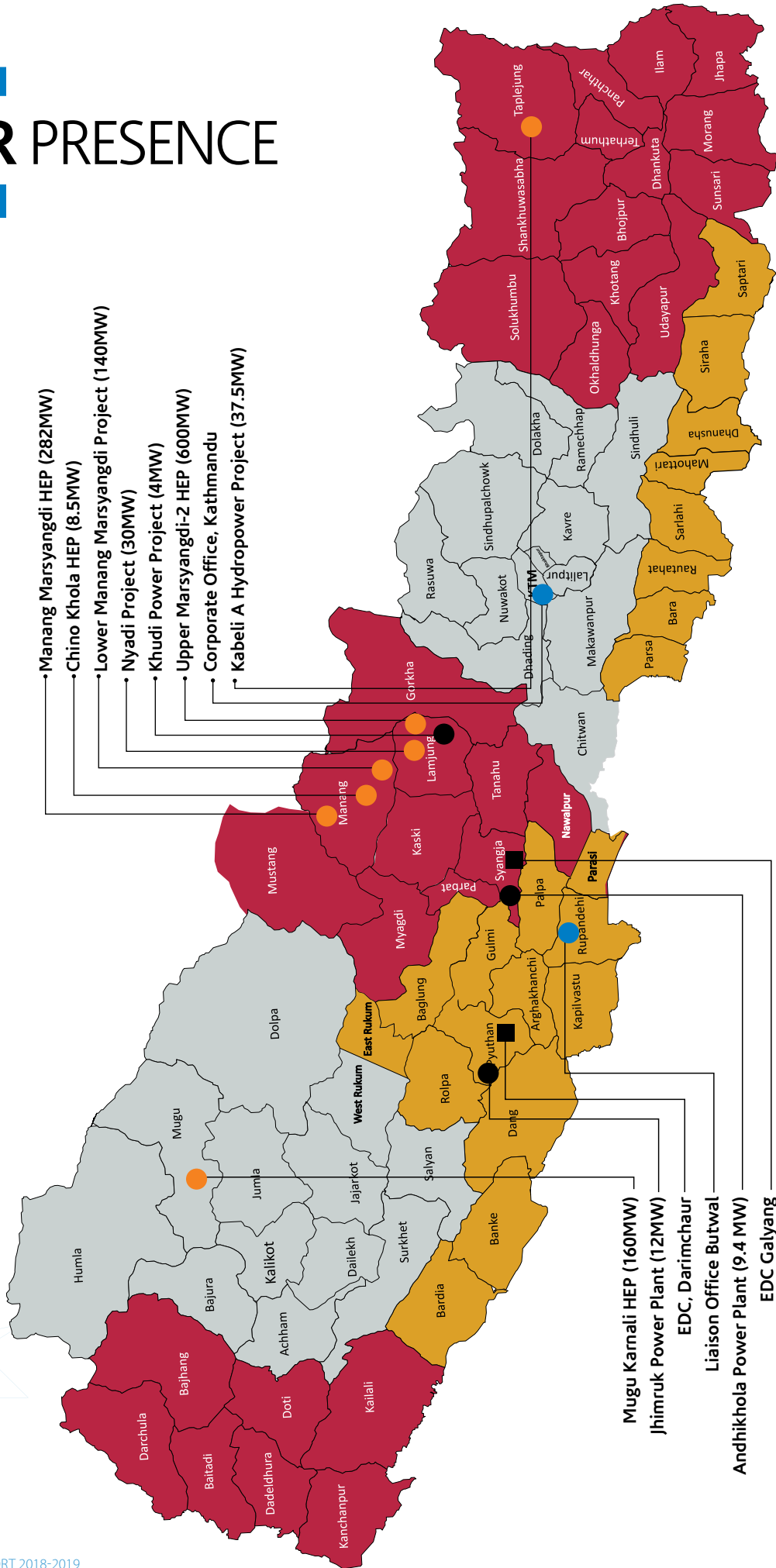




  
**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL**  
 (Established under the Nepal Chartered Accountants Act, 1970)  
**National Best Presented Annual Report (BPA) Award, 2015**  
 Presented to:  
**BUTWAL POWER COMPANY LIMITED**  
 Winner:  
 Category: General Sector  
 Kathmandu, Nepal  
 July 18, 2014



# OUR PRESENCE



- DISTRIBUTION AREA
- EXISTING PLANT
- OFFICE
- UNDER DEVELOPMENT



**bpcc**  
BUTWAL POWER  
COMPANY LIMITED



**Financial Statements**  
**2018-2019**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHARE HOLDERS 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"), which comprise the statement of financial position as at 16 July 2019, 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 16th July 2019, 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.

#### **OTHER INFORMATION**

We have nothing to report on the other information in the Annual Report. The directors are responsible for the other information presented in the Butwal Power Company Annual Report and Accounts 2018-19 together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether,

based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

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

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

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

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

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Butwal Power Company Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Butwal Power Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Butwal Power Company Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**PLACE: KATHMANDU**

**DATE: NOVEMBER 24, 2019**

**UDIN Number: 191126CA00264Ubile**

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

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

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the statement of financial position, profit or loss, other comprehensive income, changes in equity and cash flows have been prepared in accordance with the provisions of Companies Act 2063 and conform to the books of accounts of the Company and the books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the Company has acted deliberately contrary to the provisions of the law or caused loss or damage to the Company or misappropriated funds of the Company, nor have we been informed of any such case by the management.

**JITENDRA KUMAR MISHRA**  
**PARTNER**  
**CSC & CO.**  
**CHARTERED ACCOUNTANTS**

## STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2076 (16 July 2019)

(in NPR)

	Note	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	338,771,303	358,483,829
Capital work-in-progress	3	533,925	2,381,756
Intangible assets	4	1,927,472,589	1,954,316,697
Project work-in-progress	5	221,267,225	206,562,704
Financial assets			
Investment in Subsidiaries and Associates	6	3,338,002,146	1,509,115,551
Other investments	7	1,192,304,424	1,152,818,726
Other non-current assets	12	5,649,094	2,407,377
<b>Total Non-Current Assets</b>		<b>7,024,000,706</b>	<b>5,186,086,640</b>
<b>Current Assets</b>			
Inventories	8	42,779,405	44,985,836
Financial assets			
Trade receivables	9	98,679,533	88,266,346
Cash and cash equivalents	10	312,095,427	575,683,648
Bank balance other than cash and cash equivalents	11	35,008,000	37,518,299
Other financial assets	13	373,396,352	1,674,543,579
Other current assets	12	18,920,614	10,557,570
Current tax assets (net)	14	44,389,795	67,949,652
<b>Total Current Assets</b>		<b>925,269,126</b>	<b>2,499,504,930</b>
<b>Total Assets</b>		<b>7,949,269,832</b>	<b>7,685,591,570</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	15	2,440,555,400	2,218,672,000
Other equity	16	4,460,725,983	4,291,524,889
<b>Total Equity</b>		<b>6,901,281,383</b>	<b>6,510,196,889</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Grand aid in Reserve	17	202,659,432	208,574,681
Borrowings	19	233,520,295	328,270,504
Provisions	22	10,939,281	10,034,095
Deferred Tax	14	339,336,785	291,433,107
Other Current liabilities	20	24,113,645	22,464,540
<b>Total Non-Current Liabilities</b>		<b>810,569,438</b>	<b>860,776,927</b>
<b>Current Liabilities</b>			
Financial liabilities			
Borrowings	19	94,989,152	161,154,742
Trade payables	18	25,506,992	28,026,608
Other financial liabilities	21	38,242,250	29,812,319
Provisions	22	1,460,001	776,740



Other current liabilities	20	77,220,616	94,847,345
<b>Total Current Liabilities</b>		<b>237,419,011</b>	<b>314,617,754</b>
<b>Total Liabilities</b>		<b>1,047,988,449</b>	<b>1,175,394,681</b>
<b>Total Equity and Liabilities</b>		<b>7,949,269,832</b>	<b>7,685,591,570</b>

The accompanying notes are integral part of these financial statements.

<b>Uttar Kumar Shrestha</b> Chief Executive Officer	<b>Padma Jyoti</b> Chairman	<b>Pradeep Kumar Shrestha</b> Director	As per our report of even date
<b>Radheshyam Shrestha</b> Vice President- Finance	<b>Bijaya Krishna Shrestha</b> Director	<b>Sandip kumar Dev</b> Director	<b>Jitendra Kumar Mishra</b> Partner Csc & Co. Chartered Accountants
<b>Ratna Sambhava Shakya</b> Chief Manager- Finance	<b>Om Prakash Shrestha</b> Director	<b>Sandip Shah</b> Director	
	<b>Dinesh Humagain</b> Director	<b>Tirtha Man Shakya</b> Director	

**Date: November 24, 2019**  
**Place: Kathmandu, Nepal**

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST ASHAD 2076 (16 JULY 2019)

	Note	2075-76	2074-75
Revenue	23	683,077,756	666,366,940
Cost of Sales			
Generation Expenses	24	(266,311,738)	263,259,242)
Distribution Expenses	25	(137,044,775)	110,855,249)
<b>Gross profit</b>		<b>279,721,243</b>	<b>92,252,449</b>
Depreciation Being Revenue Portion of Grant Aid	17	7,681,350	7,183,408
Other income	28	613,708,668	551,958,452
Administrative and other operating expenses	26	(164,255,522)	(126,149,926)
Impairment loss on investment	27	(1,830,170)	(2,244,252)
<b>Profit from Operation</b>		<b>735,025,569</b>	<b>723,000,131</b>
Finance Income	29	151,539,902	92,597,399
Finance Costs	30	(41,627,741)	(65,393,194)
<b>Profit Before Tax</b>		<b>844,937,730</b>	<b>750,204,336</b>
<b>Income Tax Expense</b>			
Current tax	14	(46,729,996)	(19,317,678)
Deferred tax credit/charge	14	(37,872,378)	(28,623,430)
<b>Profit for the year</b>		<b>760,335,356</b>	<b>702,263,228</b>
<b>Other comprehensive Income:</b>			
<b>Other comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
i. Re-measurement (losses) / gains on post employment defined benefit plans		-	-
ii. Equity instruments through other comprehensive income	7	40,125,198	12,487,288
iii. Tax relating to items that will not to be reclassified to profit or loss	14	(10,031,300)	(179,061,941)
<b>Other comprehensive gain/(loss) for the year, net of tax</b>		<b>30,093,898</b>	<b>166,574,653)</b>
<b>Total Comprehensive gain/(loss) for the year, net of tax</b>		<b>790,429,254</b>	<b>535,688,575</b>
<b>Earnings per equity share of Rs. 100 each</b>			
Basic Earnings per share - Rs.	31	31.15	32.59
Diluted Earnings per share - Rs.	31	31.15	32.59

The accompanying notes are integral part of these financial statements.

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Bijaya Krishna Shrestha**  
Director

**Sandip kumar Dev**  
Director

**Jitendra Kumar Mishra**  
Partner  
Csc & Co.

**Ratna Sambhava Shakya**  
Chief Manager- Finance

**Om Prakash Shrestha**  
Director

**Sandip Shah**  
Director

Chartered Accountants

**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: November 24, 2019**

**Place: Kathmandu, Nepal**

## STATEMENT OF CASH FLOW

For the year ended 31 Ashadh 2076 (16 July 2019)

(in NPR)

	2075-76	2074-75
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	844,937,730	750,204,336
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	29,995,539	31,271,991
Amortization of Intangible Assets	73,598,577	71,708,033
Depreciation Being Revenue Portion of Grant Aid	(7,681,350)	(7,183,408)
Provision for employee benefits	1,588,447	(5,981,197)
Provision for Bonus	27,909,547	19,602,763
Finance income	(151,539,902)	(92,597,399)
Equity Investment written off	639,500	-
Impairment of Intangible asset	1,585,587	122,924
Finance cost	41,590,722	65,265,444
Impairment loss on investment in subsidiaries and associates	1,830,170	2,244,252
Loss/ (gain) on sale of Property, plant and equipment	(6,571,083)	(760,341)
Unrealized foreign exchange difference on cash and cash equivalents	(7,961)	(146,311)
<b>Working capital adjustments:</b>		
(Increase)/ Decrease in Trade receivables	(10,413,187)	(4,860,477)
(Increase)/ Decrease in other financial assets	(38,852,773)	(9,137,640)
(Increase)/ Decrease in other assets	(11,604,761)	4,136,399
(Increase)/ Decrease in Inventories	2,206,431	15,125,457
Increase / (Decrease) in trade payables	(2,519,616)	(44,403,851)
Increase / (Decrease) in financial liabilities	8,429,931	(2,281,498)
Increase / (Decrease) in other current liabilities	4,237,577	904,330
<b>Cash generated from operations</b>	<b>809,359,125</b>	<b>793,233,807</b>
Bonus paid	(19,282,555)	(14,275,317)
Income Tax Paid	(23,170,139)	(12,962,551)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>766,906,431</b>	<b>765,995,939</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from sale of Property, Plant and Equipment	6,958,360	1,019,988
(Increase)/Decrease in Project work-in-progress	(14,704,521)	(31,241,912)
(Increase)/Decrease in Investment in Fixed Deposits	1,340,000,000	(1,340,000,000)
Interest Received	151,539,902	92,597,399
(Increase)/ Decrease Investment in Subsidiaries and Associates	(1,830,716,765)	(409,272,276)
Acquisition of Property, plant and Equipment	(8,822,459)	(29,103,573)
Purchase of Intangibles	(48,340,056)	(64,453,280)
Grant Aid received/ (refunded)	1,766,101	13,414,423
Bank balance other than cash and cash equivalents	2,510,299	(3,000,167)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(399,809,139)</b>	<b>(1,770,039,398)</b>

<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of further public offering (FPO)	-	2,044,581,000
Issue of right share	-	-
	-	(18,797,458)
Borrowing (repaid) / taken (net)	(94,989,152)	(32,198,413)
Dividend paid	(428,186,953)	(430,443,920)
Interest paid	(41,351,779)	(69,037,636)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(564,527,884)</b>	<b>1,494,103,573</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(197,430,592)</b>	<b>490,060,114</b>
Net foreign exchange difference on cash and cash equivalents	7,961	146,311
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>509,518,058</b>	<b>19,311,633</b>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<b>312,095,427</b>	<b>509,518,058</b>

As per our report of even date

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

**Radheshyam Shrestha**  
Vice President- Finance

**Bijaya Krishna Shrestha**  
Director

**Sandip kumar Dev**  
Director

**Jitendra Kumar Mishra**  
Partner  
Csc & Co.

**Ratna Sambhava Shakya**  
Chief Manager- Finance

**Om Prakash Shrestha**  
Director

**Sandip Shah**  
Director

Chartered Accountants

**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: November 24, 2019**

**Place: Kathmandu, Nepal**

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2076 (16 July 2019)

(in NPR)

	Equity Share Capital	Retained earnings and reserves				Total
		Share Premium	General Reserve	Fair Value Reserve*	Retained Earnings*	
<b>Balance at 1 Shrawan 2074</b>	1,810,572,000	149,851,776	148,700,000	703,760,477	1,579,574,919	<b>4,392,459,172</b>
Profit for the year	-	-	-	-	702,263,228	702,263,228
Other comprehensive income	-	-	-	(166,574,653)	-	(166,574,653)
<b>Total comprehensive income</b>	-	-	-	<b>(166,574,653)</b>	<b>702,263,228</b>	<b>535,688,575</b>
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	408,100,000	1,636,481,000	-	-	-	2,044,581,000
Issue of bonus share	-	-	-	-	-	-
Share Issue Cost	-	(18,797,458)	-	-	-	(18,797,458)
Dividends to shareholders	-	-	-	-	(443,734,400)	(443,734,400)
<b>Balance at 32nd Ashadh 2075</b>	2,218,672,000	1,767,535,318	148,700,000	537,185,824	1,838,103,747	<b>6,510,196,889</b>
Profit for the year	-	-	-	-	760,335,356	760,335,356
Other comprehensive income	-	-	-	30,093,898	-	30,093,898
<b>Total comprehensive income</b>	-	-	-	<b>30,093,898</b>	<b>760,335,356</b>	<b>790,429,254</b>
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	221,883,400	-	-	-	(221,883,400)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(399,344,760)	(399,344,760)
<b>Balance at 31st Ashad 2076</b>	2,440,555,400	1,767,535,318	148,700,000	567,279,722	1,977,210,943	<b>6,901,281,383</b>

\* Fair Value Reserve through OCI which was included in Retained Earnings till last year now separately disclosed for better presentation.

The accompanying notes are integral part of these financial statements.

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Bijaya Krishna Shrestha**  
Director

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**Jitendra Kumar Mishra**  
Partner  
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Chief Manager- Finance

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Director

**Sandip Shah**  
Director

Chartered Accountants

**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: November 24, 2019**

**Place: Kathmandu, Nepal**

## Butwal Power Company Limited

Notes to the financial Statements for the Year ended 31<sup>st</sup> Ashad 2076

Figure in NPR

**Note: 1****Background**

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

The core business of BPC includes:

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

The financial statements apply to the financial year ended 31<sup>st</sup> Ashadh 2076 (16th July 2019).

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 8th Mangsir, 2076 (24th November 2019). 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.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.

**III.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**

- ii. 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	10-11 years	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 NPR10, 000 per unit is charged to the profit and loss account in the year of purchase.
- vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

## 2.7 Impairment of tangible and intangible assets

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

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

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

## 2.8 Borrowing cost

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

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

## 2.9 Cash and cash equivalents

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

## 2.10 Inventories

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

## 2.11 Revenue recognition

### I) SALE OF ELECTRICITY

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

### II) OTHER ELECTRICITY SERVICES

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

### III) DIVIDEND INCOME

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

### IV) INTEREST INCOME

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

## 2.12 Foreign currency transactions

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

## 2.13 Employment Benefits

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

### DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

### DEFINED CONTRIBUTION PLAN – GRATUITY FUND

As per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution for gratuity

needs to be deposited on monthly basis to the separate Social Security Fund. Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. As on date, the Company has set aside total obligation amount on account of accumulated gratuity as on balance sheet date in Citizen Investment Trust (CIT), hence there is no obligation of gratuity as on 31st Ashadh, 2076.

#### **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.

#### **MUTUALLY AGREED RETIREMENT SCHEME**

The company has introduced Mutually Agreed Retirement Scheme (MARS) during the current year. Employee who has completed 15 years of service can apply for voluntary retirement under this scheme. During the year, 32 employees of the company have taken retirement through MARS. The additional financial compensation as per this scheme is as follows:

- a. 100% of Basic salary (maintained at the time of scheme opening date) for remaining service period for the employee with remaining service period up to 10 years.
- b. 75% of Basic salary (maintained at the time of scheme opening date) for the employee with remaining service period more than 10 years.

## **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: 17% (2074/75: 17%)

Income from Other services: 25% (2074/75: 25%)

The Company has availed the rebate of 15% (2074/75: 15%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

### **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. Recent enacted Tax rate for income from manufacturing and sale of electricity is 20% instead of 17%.

## 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.

**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.

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashadh 31, 2076 and Ashadh 32, 2075: -

Particulars	Currency	Ashadh 31, 2076	Ashadh 32, 2075
Cash and bank balance	NPR	3,833,931	3,772,196
	USD	35,058	34,500

## 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, 2076 and 32nd Ashadh, 2075.

## 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 NPR 5.5 million per MW of electricity to those producers who generate and connect the generated electricity to national grid within FY 2017/18. An-dhikhola 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 14% (13.90% in FY 2074/75) (i.e. the prevailing interest rate 11.50% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

**C) BPC SERVICES LIMITED**

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

**D) NYADI HYDROPOWER LIMITED**

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 98.19% shares followed by LEDCO shareholding 1.81%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are ongoing as per the set timeline. Altogether, around 75% of the total contract works of head works, underground works, penstock, powerhouse, other civil works, HM works, EM and transmission lines are completed as on reporting date.

**E) HYDRO-CONSULT ENGINEERING LIMITED**

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and 20% shares held by People Energy and Environment Development Association (PEEDA).

**F) GURANS ENERGY LIMITED**

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2075/76. 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.

**H) 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.

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

#### **K) MANANG MARSYANGDI HYDROPOWER COMPANY PVT. LTD.**

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

Manang Marsyangdi Hydro-Electric Project developed by the Company with the installed capacity of 282 MW (now optimized capacity at 135MW under Q40) is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and

Government of Nepal (GON) to MMHCPL on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase.

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed.

#### **L) HIMTAL HYDROPOWER COMPANY PVT. LTD.**

Himal 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 Marshyangdi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contact 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 contact 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 2076

### Note no: 3

#### Property, plant and equipment:

(in NPR)

	Freehold Land	Building	Office Equip-ment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
<b>Cost</b>									
Balance at 1st Shrawan 2074	48,515,535	255,464,767	54,637,954	23,747,387	2,335,092	19,103,528	13,930,444	3,140,082	<b>420,874,789</b>
Additions	-	5,184,346	5,201,885	209,652	137,497	18,228,413	900,106	159,145	<b>30,021,044</b>
Transfer from CWIP	-	-	-	-	-	-	-	(917,471)	<b>(917,471)</b>
Disposals	-	-	(211,495)	(41,439)	(36,308)	(26,294)	(275,037)	-	<b>(590,573)</b>
<b>Balance at 32nd Ashadh 2075</b>	<b>48,515,535</b>	<b>260,649,113</b>	<b>59,628,344</b>	<b>23,915,600</b>	<b>2,436,281</b>	<b>37,305,647</b>	<b>14,555,513</b>	<b>2,381,756</b>	<b>449,387,789</b>
Additions	-	307,361	959,739	1,149,309	-	4,378,782	1,652,489	533,925	<b>8,981,605</b>
Transfer from CWIP	-	2,222,610	-	-	-	-	-	(2,381,756)	<b>(159,146)</b>
Disposals	-	-	(129,029)	(75,462)	(24,317)	(489,995)	(278,154)	-	<b>(996,957)</b>
<b>Balance at 31st Ashadh 2076</b>	<b>48,515,535</b>	<b>263,179,084</b>	<b>60,459,054</b>	<b>24,989,447</b>	<b>2,411,964</b>	<b>41,194,434</b>	<b>15,929,848</b>	<b>533,925</b>	<b>457,213,291</b>
<b>Accumulated depreciation</b>									
Balance at 1st Shrawan 2074	-	17,078,853	20,897,641	9,014,388	837,037	4,845,609	4,907,611	-	<b>57,581,139</b>
Charge for the year	-	11,892,190	8,672,995	3,767,851	365,115	4,282,453	2,291,387	-	<b>31,271,991</b>
Disposals	-	-	(122,271)	(23,957)	(14,010)	(11,682)	(159,006)	-	<b>(330,926)</b>
Balance at 32nd Ashadh 2075	-	28,971,043	29,448,365	12,758,282	1,188,142	9,116,380	7,039,992	-	<b>88,522,204</b>
Charge for the year	-	11,556,798	6,959,033	3,288,272	314,580	5,774,964	2,101,892	-	<b>29,995,539</b>
Disposals	-	-	(88,204)	(51,585)	(11,623)	(268,124)	(190,144)	-	<b>(609,680)</b>
Balance at 31st Ashadh 2076	-	40,527,841	36,319,194	15,994,969	1,491,099	14,623,220	8,951,740	-	<b>117,908,063</b>
<b>Net book value</b>									
At 1st Shrawan 2074	48,515,535	238,385,914	33,740,313	14,732,999	1,498,055	14,257,919	9,022,833	3,140,082	<b>363,293,650</b>
At 32nd Ashadh 2075	48,515,535	231,678,070	30,179,979	11,157,318	1,248,139	28,189,267	7,515,521	2,381,756	<b>360,865,585</b>
At 31st Ashadh 2076	48,515,535	222,651,243	24,139,860	8,994,478	920,865	26,571,214	6,978,108	533,925	<b>339,305,228</b>

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****Intangible assets:***(in NPR)*

	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2074	4,707,218	2,094,324,218	<b>2,099,031,436</b>
Additions - Externally acquired	39,550	63,496,259	<b>63,535,809</b>
Transfer from CWIP	-	917,471	<b>917,471</b>
Adjustment during the year	(333,077)	(205,570)	<b>(538,647)</b>
<b>Balance at 32nd Ashadh 2075</b>	<b>4,413,691</b>	<b>2,158,532,378</b>	<b>2,162,946,069</b>
Additions - Externally acquired	-	48,180,910	<b>48,180,910</b>
Transfer from CWIP	-	159,146	<b>159,146</b>
Adjustment during the year	(1,493,199)	(1,794,254)	<b>(3,287,453)</b>
Balance at 31st Ashadh 2076	2,920,492	2,205,078,180	<b>2,207,998,672</b>
<b>Amortisation</b>			
Balance at 1st Shrawan 2074	<b>2,328,264</b>	<b>135,008,798</b>	<b>137,337,062</b>
Charge for the year	993,010	70,715,023	<b>71,708,033</b>
Adjustment during the year	(395,666)	(20,057)	<b>(415,723)</b>
Balance at 32nd Ashadh 2075	2,925,608	205,703,764	<b>208,629,372</b>
Charge for the year	714,030	72,884,547	<b>73,598,577</b>
Adjustment during the year	(1,493,199)	(208,667)	<b>(1,701,866)</b>
Balance at 31st Ashadh 2076	2,146,439	278,379,644	<b>280,526,083</b>
<b>Net book value</b>			
At 1st Shrawan 2074	2,378,954	1,959,315,420	<b>1,961,694,374</b>
At 32nd Ashadh 2075	1,488,083	1,952,828,614	<b>1,954,316,697</b>
At 31st Ashadh 2076	774,053	1,926,698,536	<b>1,927,472,589</b>

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 2076	As at 32nd Ashadh 2075
	At cost	At cost
Chino Khola SHP	23,676,057	21,195,699
Lower Manang Marshyangdi HEP	185,318,828	178,888,538
Mugu Karnali HEP	12,272,340	6,478,467
<b>Total</b>	<b>221,267,225</b>	<b>206,562,704</b>

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

**Note no: 6**
**Investment in subsidiaries and associates**
*(in NPR)*

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	No. of shares	Amount	No. of shares	Amount
<b>Unquoted Investments at cost</b>				
<b>Investment in Subsidiary Companies</b>				
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	5,395,710	539,571,000
Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)	117,785	11,778,500	117,785	11,778,500
Manang Marsyandi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	885,960	564,173,790	-	-
<b>Investment in Associate Companies</b>				
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	-	-
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,346,245	-	-
<b>Advance towards share capital including incidental cost:</b>				
Manang Marshayandi Hydropower Company Pvt. Ltd.	-	-	-	100,000,000
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	93,520,876	-	50,801,276
<b>Gross Investment at Cost (A)</b>	<b>20,545,400</b>	<b>3,352,377,185</b>	<b>13,695,991</b>	<b>1,521,660,420</b>
Less: Provision for impairment loss				
Gurans Energy Limited		(14,375,039)		(12,544,869)
<b>Total Provision (B)</b>		<b>(14,375,039)</b>		<b>(12,544,869)</b>
<b>Net Investment at cost less impairment (A+B)</b>		<b>3,338,002,146</b>		<b>1,509,115,551</b>

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 the accumulated loss in Gurans Energy Limited is increased by NPR 1,830,170.



**Note no: 7****Other investments***(in NPR)*

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	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	1,175,049,485	2,978,502	1,137,772,578
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	17,254,939	10,000	14,406,648
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	-	-	6,395	639,500
<b>Total Investment at Fair Value through Other Comprehensive Income</b>	<b>2,988,502</b>	<b>1,192,304,424</b>	<b>2,994,897</b>	<b>1,152,818,726</b>

a) Investment in Jumdi Hydro Power has been fully written off this year due to uncertainty in completion of the project. The write off has been charged directly to Profit or Loss, Refer Note no. 26

**Note no: 8****Inventories***(in NPR)*

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
General Stock/Office Supplies/Consumer Service Items	4,393,871	9,632,112
Stock of Electric Goods	6,399,586	5,678,216
T/L & D/L Stock	7,505,100	7,888,697
Other engineering inventories and spare parts	24,480,848	21,786,811
<b>Total</b>	<b>42,779,405</b>	<b>44,985,836</b>

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

**Note no: 9****Trade receivables***(in NPR)*

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Nepal Electricity Authority	80,258,808	71,579,468
Local Consumers	18,420,725	16,686,878
<b>Total</b>	<b>98,679,533</b>	<b>88,266,346</b>

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

**Note no: 10**
**Cash and cash equivalents**
*(in NPR)*

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
<b>Balances with banks</b>		
Local currency account		
In current accounts	25,845,504	19,224,656
In call accounts	78,627,316	32,079,014
In deposits accounts (Original maturity less than 3 months)	200,000,000	520,000,000
Convertible currencies account		
In current accounts	3,010,149	2,958,750
In call accounts	823,782	813,446
Cash in hand	688,603	407,520
Cheque in hand	3,100,073	200,262
<b>Total</b>	<b>312,095,427</b>	<b>575,683,648</b>

Refer Note 19 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 2076	As at 32nd Ashadh 2075
Cash at banks and in hand	312,095,427	575,683,648
Overdraft	-	(66,165,590)
<b>Total</b>	<b>312,095,427</b>	<b>509,518,058</b>

**Note no: 11**
**Bank balance other than cash and cash equivalents**
*(in NPR)*

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
<b>Balances with Bank</b>		
In deposit account	35,000,000	35,000,000
<b>Embarked balance with bank</b>		
Unpaid dividend	-	2,329,299
Margin money	8,000	189,000
<b>Total</b>	<b>35,008,000</b>	<b>37,518,299</b>

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)**
*(in NPR)*

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-current	Current	Non-current
Capital advance	-	5,649,094	-	2,407,377
Prepaid Expenses	10,308,172	-	10,557,570	-
Gratuity Fund Surplus	8,612,442	-	-	-
<b>Total</b>	<b>18,920,614</b>	<b>5,649,094</b>	<b>10,557,570</b>	<b>2,407,377</b>

a) Gratuity Fund Surplus is the net balance after deducting gratuity payable of NPR 130,614,000 from amount of NPR 139,226,442 in Gratuity Fund maintained with Citizen Investment Trust (CIT) as on balance sheet date.

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)***(in NPR)*

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-current	Current	Non-current
Government Deposits	24,000,000	-	24,000,000	-
Deposit (Others)	561,968	-	589,198	-
Advances to Staff	408,833	-	488,576	-
Receivables from Employee Welfare Fund	9,301,855	-	4,301,855	-
Receivables from Harish Chandra Shah	210,000,000	-	205,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	-	-
Dividend receivable from subsidiaries and associates	16,705,060	-	-	-
Interest receivable from subsidiaries and associates	79,190,659	-	79,190,664	-
Other interest receivables	-	-	2,663,013	-
Investment in Fixed Deposit	-	-	1,340,000,000	-
Other receivables from subsidiaries and associates	17,311,508	-	17,376,305	-
Other receivables	916,469	-	933,968	-
<b>Total</b>	<b>373,396,352</b>	<b>-</b>	<b>1,674,543,579</b>	<b>-</b>

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

**Note no: 14****INCOME TAXES***(in NPR)*

A.	Tax expense recognised in the Statement of Profit and Loss	Year ended	Year ended
		31 Ashadh, 2076	32 Ashadh, 2075
	<b>Current tax expenses</b>		
	Current tax on profits for the year	46,729,996	17,980,433
	Adjustments for under provision in prior periods	-	1,337,245
	<b>Deferred tax credit/charge</b>		
	Origination and reversal of temporary differences	37,872,378	28,562,767
	Adjustments/(credits) related to previous years - (net)	-	60,663
	<b>Income tax expense reported in Statement of Profit or Loss</b>	<b>84,602,374</b>	<b>47,941,108</b>
B.	Tax expense recognised in Other comprehensive income	Year ended	Year ended
		31 Ashadh, 2076	32 Ashadh, 2075
	<b>Deferred tax</b>		
	Origination and reversal of temporary differences	10,031,300	3,121,822
	Adjustments/(credits) related to previous years - (net)	-	175,940,119
	<b>Income tax charged to OCI</b>	<b>10,031,300</b>	<b>179,061,941</b>

C.	Current tax asset / (liability) -net:	Year ended	Year ended
		31 Ashadh, 2076	32 Ashadh, 2075
	Advance Income Tax	91,119,791	85,930,085
	Less: Income Tax Liability	(46,729,996)	(17,980,433)
	<b>Total</b>	<b>44,389,795</b>	<b>67,949,652</b>

D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashadh, 2076			Year ended 32 Ashadh, 2075		
		Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	158,581,944	686,355,786	844,937,730	190,498,177	559,706,159	750,204,336
	Enacted tax rate	17%	25%		17%	25%	
	<b>Computed tax expense</b>	<b>26,958,930</b>	<b>171,588,947</b>	<b>198,547,877</b>	<b>32,384,690</b>	<b>139,926,540</b>	<b>172,311,230</b>
	<b>Differences due to:</b>						
	Tax effect due to non taxable income	(201,159)	144,740,496)	(144,941,655)	-	(128,066,801)	(128,066,801)
	Effect due to non deductible expenses	442,024	6,158,144	6,600,168	1,649,674	4,361,816	6,011,490
	Tax effect due to difference in depreciation rate	(13,473,625)	(2,769)	(13,476,394)	(17,124,385)	(29,672)	(17,154,057)
	Opening Accumulated losses	-	-	-	(15,121,429)	-	(15,121,429)
	<b>Current tax on profits for the year</b>	<b>13,726,170</b>	<b>33,003,826</b>	<b>46,729,996</b>	<b>1,788,550</b>	<b>16,191,883</b>	<b>17,980,433</b>

**E. The movement in deferred tax assets and liabilities during the year ended 32 Ashadh, 2075 and 31 Ashadh, 2076:** (in NPR)

i.	Movement during the year ended 32 Ashadh, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Compre- hensive Income	As at 32 Ashadh, 2075
	<b>Deferred tax assets/(liabilities)</b>				
	Provision for leave encashment	1,810,193	369,660	-	2,179,853
	Provision for loss on investment	2,575,154	561,063	-	3,136,217
	Depreciation and Amortisation	(98,173,265)	(19,453,308)	-	(117,626,573)
	Investment in equity instrument	-	-	(179,061,941)	(179,061,941)
	Amortisation cost of term loan	-	(60,663)	-	(60,663)
	Unused tax losses	10,040,182	(10,040,182)	-	-
	<b>Total</b>	<b>(83,747,736)</b>	<b>(28,623,430)</b>	<b>(179,061,941)</b>	<b>(291,433,107)</b>

ii.	Movement during the year ended 31 Ashadh, 2076	As at 1 Shrawan, 2075	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehen- sive Income	As at 31 Ashadh, 2076
	<b>Deferred tax assets/(liabilities)</b>				
	Provision for leave encashment	2,179,853	484,305	-	2,664,158
	Provision for loss on investment	3,136,217	457,543	-	3,593,760
	Depreciation and Amortisation	(117,626,573)	(38,994,046)	-	(156,620,619)
	Investment in equity instrument	(179,061,941)	-	(10,031,300)	(189,093,241)
	Amortisation cost of term loan	(60,663)	179,820	-	119,157
	Unused tax losses	-	-	-	-
	<b>Total</b>	<b>(291,433,107)</b>	<b>(37,872,378)</b>	<b>(10,031,300)</b>	<b>(339,336,785)</b>

**Note no: 15****Equity Share Capital***(in NPR)*

Particulars	As at 31st Ashadh, 2076		As at 32nd Ashadh, 2075	
	No. of Shares	Amount	No. of Shares	Amount
<b>A. Equity Shares</b>				
<b>Authorised</b>				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
<b>Issued</b>				
Equity Shares of Rs. 100 each with voting rights	24,405,554	2,440,555,400	22,202,250	2,220,225,000
<b>Subscribed and Fully Paid</b>				
Equity Shares of Rs. 100 each with voting rights	24,405,554	2,440,555,400	22,186,720	2,218,672,000
	<b>24,405,554</b>	<b>2,440,555,400</b>	<b>22,186,720</b>	<b>2,218,672,000</b>

**B. Reconciliation of the number of shares outstanding at the beginning and end of the year**

Particulars	As at 31st Ashadh, 2076	As at 32nd Ashadh, 2075
	No. of Shares	No. of Shares
Balance as at the beginning of the year	22,186,720	18,105,720
Add: Issue of bonus share during the year	2,218,834	-
Add: Issue of Further Public Offering (FPO) during the year	-	4,081,000
<b>Balance as at end of the year</b>	<b>24,405,554</b>	<b>22,186,720</b>

**C. Details of shareholding more than 1%**

Particulars	As at 31st Ashadh, 2076		As at 32nd Ashadh, 2075	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	13,732,472	56.27%	12,484,065	56.27%
Government of Nepal	1,810,489	7.42%	1,645,899	7.42%
IKN Nepal A.S., Norway	385,452	1.58%	350,411	1.58%
United Mission to Nepal	333,556	1.37%	303,233	1.37%
Nepal Electricity Authority	210,348	0.86%	191,225	0.86%
General Public Shareholders				
- NMB Bank Ltd.	458,897	1.88%	417,179	1.88%
- Kamana Sewa Bikas Bank Ltd.	324,114	1.33%	140,061	0.63%
- Other General Public shareholders	7,150,226	29.29%	6,654,647	29.99%

**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:***(in NPR)*

Declared dividends and proposed dividends	As at 31st Ashad, 2076	As at 32nd Ashad, 2075
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**Declared and approved for during the year:**

Dividends on ordinary shares:	399,344,760	443,734,400
Final dividend for 2074-75: NPR. 18 per share (2073-74: NPR. 20 per share)		

**Proposed for approval at the annual general meeting  
(not recognised as a liability as at balance sheet date):****Dividends on ordinary shares:**

Proposed dividend for 2075-76 will be decided in the next Board Meeting (2074-75: cash dividend NPR 18 per share and stock dividend NPR 10 per share)	-	399,344,760
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**Note no: 16**

Other equity	Share Premium	General Reserve	Fair Value Reserve*	Retained Earnings*	Total
<b>Balance at 1 Shrawan 2074</b>	<b>149,851,776</b>	<b>148,700,000</b>	<b>703,760,477</b>	<b>1,579,574,919</b>	<b>2,581,887,172</b>
Profit for the year	-	-	-	702,263,228	<b>702,263,228</b>
Other comprehensive income	-	-	(166,574,653)	-	<b>(166,574,653)</b>
Issue of right share	-	-	-	-	-
Issue of Further Public Offering	1,636,481,000	-	-	-	<b>1,636,481,000</b>
Issue of bonus share	-	-	-	-	-
Share Issue Cost	(18,797,458)	-	-	-	<b>(18,797,458)</b>
Dividends to shareholders	-	-	-	(443,734,400)	<b>(443,734,400)</b>
<b>Balance at 32nd Ashadh 2075</b>	<b>1,767,535,318</b>	<b>148,700,000</b>	<b>537,185,824</b>	<b>1,838,103,747</b>	<b>4,291,524,889</b>
Profit for the year	-	-	-	760,335,356	<b>760,335,356</b>
Other comprehensive income	-	-	30,093,898	-	<b>30,093,898</b>
Issue of right share	-	-	-	-	-
Issue of Further Public Offering	-	-	-	-	-
Issue of bonus share	-	-	-	(221,883,400)	<b>(221,883,400)</b>
Share Issue Cost	-	-	-	-	-
Dividends to shareholders	-	-	-	(399,344,760)	<b>(399,344,760)</b>
<b>Balance at 31st Ashadh 2076</b>	<b>1,767,535,318</b>	<b>148,700,000</b>	<b>567,279,722</b>	<b>1,977,210,943</b>	<b>4,460,725,983</b>

\* Fair Value Reserve through OCI which was included in Retained Earnings till last year now separately disclosed for better presentation.

**Note no: 17***(in NPR)***Grant aid in reserve**

As at 31st Ashadh 2076

As at 32nd Ashadh 2075

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
Name of Grantors	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
NORAD	8,792,578	328,484	9,121,062	328,484
UMN PCS	17,607,335	673,931	18,281,266	673,931
USAID	9,946,463	382,724	10,329,187	382,723
REGDAN	10,801,377	414,375	11,215,752	414,375
JRP	5,361,872	206,805	5,568,677	206,805
REEP	72,214,025	2,773,849	74,987,874	2,773,848
Local VDC/Community	77,935,782	2,901,182	79,070,863	2,403,242
<b>Total</b>	<b>202,659,432</b>	<b>7,681,350</b>	<b>208,574,681</b>	<b>7,183,408</b>

**Note no: 18****Trade payables***(in NPR)*

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Trade payables	25,506,992	-	28,026,608	-
<b>Total</b>	<b>25,506,992</b>	<b>-</b>	<b>28,026,608</b>	<b>-</b>

**Note no: 19****Borrowings**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
<b>Measured at amortised cost</b>				
<b>Secured Borrowings from Banks</b>				
Term loan	94,989,152	233,520,295	94,989,152	328,270,504
Overdraft	-	-	66,165,590	-
<b>Total</b>	<b>94,989,152</b>	<b>233,520,295</b>	<b>161,154,742</b>	<b>328,270,504</b>

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 NIC Asia 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 NIC Asia Bank which is secured as charge by way of hypothecation on all current assets and fixed assets pertaining to Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles"

4) Terms of Repayment of Term Loans

*(in NPR)*

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
2-3 Years	156,096,170	189,978,304
4-5 Years	54,449,760	88,331,898
5-10 Years	22,378,580	49,603,460
<b>Total</b>	<b>232,924,510</b>	<b>327,913,662</b>

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

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,739	24,113,645	817,777	22,464,540
Dividend Payable	39,295,559	-	68,137,752	-
Statutory dues	7,423,608	-	2,600,725	-
Gratuity Payable	-	-	663,292	-
VAT Payable (Net)	309,921	-	(226,170)	-
Welfare Fund Clearing Account	910,987	-	3,121,159	-
Bonus payable	28,359,802	-	19,732,810	-
<b>Total</b>	<b>77,220,616</b>	<b>24,113,645</b>	<b>94,847,345</b>	<b>22,464,540</b>

a) Gratuity payable of NPR 130,614,000 (2074-75: 158,169,839) is netted off with Gratuity Fund maintained with Citizen Investment Trust (CIT) having balance of NPR 139,226,442 (2074-75: 157,506,547) as on balance sheet date. This balance has been classified as Gratuity Fund Surplus in Note 12.

**Note no: 21**

## Other Financial Liabilities

(in NPR)

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	25,100,756	-	9,898,718	-
Refundable Deposits of Parties	1,344,325	-	2,553,719	-
Retention Payable	3,736,358	-	7,747,315	-
Royalty Payable	5,310,947	-	5,142,833	-
Other Payable	2,749,864	-	4,469,734	-
<b>Total</b>	<b>38,242,250</b>	<b>-</b>	<b>29,812,319</b>	<b>-</b>

**Note no: 22**

## Provisions (current and non-current)

(in NPR)

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Provision for leave encashment	1,460,001	10,939,281	776,740	10,034,095
<b>Total</b>	<b>1,460,001</b>	<b>10,939,281</b>	<b>776,740</b>	<b>10,034,095</b>

**Note no: 23**
**Revenue**

(in NPR)

Particulars	2075-76	2074-75
<b>Electricity Sale to NEA</b>		
Electricity Sale	487,410,246	477,949,098
Short supply charges	(580,471)	(851,419)
	<b>486,829,775</b>	<b>477,097,679</b>
<b>Electricity Sale to Consumers</b>		
Metered Consumers	156,112,157	150,078,941
Unmetered Consumers	897,511	1,033,060
Industrial Consumers	41,232,268	36,824,536
UO Rebate	(11,038,706)	(10,534,924)
	<b>187,203,230</b>	<b>177,401,613</b>
<b>Electricity Services</b>		
Fee and Charges	1,718,905	1,632,666
Sale of Meter/Cutout & Accessories	7,325,846	10,234,982
	<b>9,044,751</b>	<b>11,867,648</b>
<b>Total</b>	<b>683,077,756</b>	<b>666,366,940</b>



**Note no: 24****Generation Expenses***(in NPR)*

Particulars	2075-76	2074-75
Electricity Purchase	20,316,178	30,730,302
Salaries and other employee cost	44,316,717	43,780,956
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	11,734,924	-
Contribution to Provident and Gratuity Fund	6,156,214	9,416,074
Staff Bonus	8,637,463	5,574,075
Environment, Community & Mitigation	16,242,471	10,770,510
Donation expenses	487,800	556,555
Repair and Maintenance	17,341,373	24,501,913
Vehicle running cost	160,239	488,909
Depreciation	2,605,492	2,964,855
Amortisation of Intangible Assets - SCA	56,387,334	55,791,216
Royalty	60,556,307	59,456,686
Insurance	7,865,122	8,094,954
Safety and Security	2,942,303	1,987,557
Legal and professional Expenses	2,929,779	-
Assets written off	1,052,203	266,917
Miscellaneous Expenses	6,579,819	8,877,763
<b>Total</b>	<b>266,311,738</b>	<b>263,259,242</b>

**Note no: 25****Distribution Expenses***(in NPR)*

Particulars	2075-76	2074-75
Cost of sale of Meter/Cutout & Accessories	4,334,898	6,530,967
Salaries and other employee cost	39,557,544	38,411,614
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	17,996,124	-
Contribution to Provident and Gratuity Fund	6,319,456	7,640,785
Staff Bonus	8,218,700	5,229,007
Donation expenses	39,200	49,600
Repair and Maintenance	9,416,313	5,616,050
Vehicle running cost	844,115	681,734
Depreciation	2,803,998	2,288,134
Amortisation of Intangible Assets - SCA	16,483,677	14,910,271
Royalty	19,824,194	18,793,654
Insurance	504,329	526,495
Safety and Security	714,046	500,364
Assets written off	68,538	56,997
Miscellaneous Expenses	9,919,643	9,619,577
<b>Total</b>	<b>137,044,775</b>	<b>110,855,249</b>

**Note no: 26**
**Administrative and other operating expenses**

(in NPR)

Particulars	2075-76	2074-75
Salaries and other employee cost	57,520,986	61,722,431
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	35,965,928	-
Contribution to Provident and Gratuity Fund	1,678,296	2,894,698
Staff Bonus	11,053,384	8,799,681
Staff Welfare	3,021,062	2,282,097
Advertisement and business promotion	458,864	307,738
AGM and Board Expenses	2,303,085	2,398,911
Audit Fee and Expenses	1,924,245	1,458,240
Communication Expenses	2,452,302	2,654,935
Depreciation and amortisation	25,313,614	27,025,548
Environment, Community & Mitigation	38,600	32,520
Gift and Donation	177,000	668,000
Hospitality and Refreshment	743,169	735,077
Insurance	1,282,039	1,298,289
Safety and Security	2,578,105	1,612,080
Legal and professional Expenses	2,682,091	4,203,622
Office running cost	4,742,018	5,569,825
Printing and Stationery	2,040,704	1,353,010
Rates and Taxes	1,284,080	1,275,154
Rent	18,100	217,200
Repair and Maintenance	5,773,060	6,425,984
Training and Development	821,727	1,205,605
Travelling expenses	1,582,252	1,863,639
Vehicle running cost	872,498	856,980
Bad Debts	223,350	222,771
Assets Written off	53,120	58,669
Equity Investment written off [Refer Note no. 7(a)]	639,500	-
Miscellaneous Expenses	5,804,579	3,479,771
Overhead Charged to Projects	(8,792,236)	(14,472,549)
<b>Total</b>	<b>164,255,522</b>	<b>126,149,926</b>

**a. Detail of Audit Fee and related expenses**

Particulars	2075-76	2074-75
External Audit	515,684	539,081
Other assurance services	119,646	-
Internal Audit	780,380	326,622
ISO Audit	508,535	592,537
<b>Total</b>	<b>1,924,245</b>	<b>1,458,240</b>

**Note no: 27****Impairment loss on investment***(in NPR)*

Particulars	2075-76	2074-75
Guras Energy Limited	(1,830,170)	(2,244,252)
<b>Total</b>	<b>(1,830,170)</b>	<b>(2,244,252)</b>

**Note no: 28****Other Income**

Particulars	2075-76	2074-75
Dividend income	578,954,023	512,267,203
Income from Other Sources	11,642,840	10,135,566
House Rent	13,171,378	13,010,480
Gain / (Loss) on disposal of assets and inventories	6,571,083	760,341
Insurance Claim received on Loss of Assets	155,162	14,358,145
Foreign Currency Exchange Gain/(Loss)	3,214,182	1,426,717
<b>Total</b>	<b>613,708,668</b>	<b>551,958,452</b>

**a. Detail of Dividend income**

Name of Company	2075-76	2074-75
Himal Power Limited [USD 4,972,191 (2074-75: 4,811,798)]	556,587,033	492,487,474
Hydro-Consult Engineering Limited	4,711,930	2,944,625
Khudi Hydropower Limited (Preference Dividend)	16,705,060	16,835,104
BPC Services Limited	950,000	-
<b>Total</b>	<b>578,954,023</b>	<b>512,267,203</b>

**b. Detail of Foreign Currency Exchange Gain/(Loss):**

	2075-76	2074-75
- On account of term loan with IFC	730,567	(485,239)
- On account of HPL dividend	2,475,654	1,765,645
- On account of Revaluation of different foreign currency bank accounts	7,961	146,311
<b>Total</b>	<b>3,214,182</b>	<b>1,426,717</b>

**Note no: 29****Finance income**

Particulars	2075-76	2074-75
Interest income	151,539,902	92,597,399
<b>Total</b>	<b>151,539,902</b>	<b>92,597,399</b>

**Note no: 30****Finance Costs**

Particulars	2075-76	2074-75
Interest Expenses	41,351,779	64,390,313
Other finance cost	238,943	875,131
Bank Charges	37,019	127,750
<b>Total</b>	<b>41,627,741</b>	<b>65,393,194</b>

**Note: 31**

(in NPR)

<b>EARNINGS PER SHARE</b>	2075-76	2074-75
Profit for the year	760,335,356	702,263,228
Weighted average number of equity shares outstanding	24,405,554	21,548,854
<b>Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2074-75 Restated]</b>	<b>31.15</b>	<b>32.59</b>
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	24,405,554	21,548,854
<b>Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2074-75 Restated]</b>	<b>31.15</b>	<b>32.59</b>

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

<b>Particulars</b>	2075-76	2074-75
<b>Employee benefit expenses</b>		
Salary	52,405,820	53,420,154
Allowances	77,550,072	81,309,618
Provident Fund	4,894,536	5,091,621
Gratuity	9,259,430	14,859,936
Insurance	440,759	606,813
Leave Encashment	10,998,596	8,578,416
Mutually Agreed Retirement Scheme	65,696,976	-
Staff Welfare	3,021,062	2,282,097
Staff Bonus	27,909,547	19,602,763
<b>Total</b>	<b>252,176,798</b>	<b>185,751,418</b>
<b>Depreciation and Amortisation</b>		
Depreciation of Property, Plant and Equipment	29,995,539	31,271,991
Amortization of Intangibles Asset - Software	714,030	993,010
Amortization of Intangibles Asset - Service Concession Arrangement	72,884,547	70,715,023
Less: Depreciation being Revenue Portion of Grant Aid	(7,681,350)	(7,183,408)
<b>Total</b>	<b>95,912,766</b>	<b>95,796,616</b>

**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 2076	As at 32nd Ashadh 2075		
<b>Financial assets :</b>				
Investment in equity instruments of Himal Power Limited	1,175,049,485	1,137,772,578	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	17,254,939	14,406,648	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	-	639,500	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)**

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values

As at 31st Ashadh 2076	Carrying value	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>Financial assets carried at Cost</b>				
Investment in Subsidiaries and Associates	3,338,002,146	-	-	-
<b>Financial Assets measured at FVTOCI</b>				
Investment in other equity instruments	1,192,304,424	-	-	1,192,304,424
<b>Financial assets carried at amortised cost</b>				
Trade receivables	98,679,533	-	-	98,679,533
Cash and cash equivalents	312,095,427	-	-	312,095,427
Bank balance other than cash and cash equivalents	35,008,000	-	-	35,008,000
Other financial assets	373,396,352	-	-	373,396,352
<b>Total Financial Assets</b>	<b>819,179,312</b>	-	-	<b>819,179,312</b>
<b>Financial Liabilities</b>				
<b>Financial liabilities carried at amortised cost:</b>				
Borrowings	328,509,447	-	-	328,509,447
Trade payables	25,506,992	-	-	25,506,992
Other financial liabilities	38,242,250	-	-	38,242,250
<b>Total Financial Liabilities</b>	<b>392,258,689</b>	-	-	<b>392,258,689</b>

As at 32nd Ashad 2075	Carrying value	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>Financial assets carried at Cost</b>				
Investment in Subsidiaries and Associates	1,509,115,551	-	-	-
<b>Financial Assets measured at FVTOCI</b>				
Investment in other equity instruments	1,152,818,726	-	-	1,152,818,726
<b>Financial assets carried at amortised cost</b>				
Trade receivables	88,266,346	-	-	88,266,346
Cash and cash equivalents	575,683,648	-	-	575,683,648
Bank balance other than cash and cash equivalents	37,518,299	-	-	37,518,299
Other financial assets	1,674,543,579	-	-	1,674,543,579
<b>Total Financial Assets</b>	<b>2,376,011,872</b>	-	-	<b>2,376,011,872</b>
<b>Financial Liabilities</b>				
<b>Financial liabilities carried at amortised cost:</b>				
Borrowings	489,425,246	-	-	489,425,246
Trade payables	28,026,608	-	-	28,026,608
Other financial liabilities	29,812,319	-	-	29,812,319
<b>Total Financial Liabilities</b>	<b>547,264,173</b>	-	-	<b>547,264,173</b>

**Note no: 34**
**RELATED PARTY DISCLOSURES**
**(a) Relationship**

The company is controlled by Shangri-La Energy Ltd which owns 56.27% 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 Marshayandi Hydropower Company Pvt. Ltd.
Associates	Gurans Enegy Limited
	Kabeli Energy Limited
	SCIG Int'l Nepal Hydro Joint Venture Development Pvt.. Ltd.
	Himtal Hydropower Company Pvt. Ltd.
	Marsyangdi Transmission Company Pvt. Ltd.

**(b) Those charged with governance**

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Sandip Kumar Dev	Director
vi) Mr. Sandip Shah	Director
vii) Mr. Dinesh Humagain	Director
viii) Mr. Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	620,000	800,000
Telephone, Mobile and Newspaper / Magazines	480,000	530,919

**(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	9,585,894	5,656,104
	<b>9,585,894</b>	<b>5,656,104</b>

**(d) Other related party transactions**

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,383	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	71,535	32,635	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	109,949		-	-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	12,371,624	25,505,831	(1,205,617)	(11,414,462)
	Reimbursement of rent and utilities	4,294	4,204	4,294	-
	Advance given	2,077,354	2,998,038		-
Khudi Hydropower Limited	Reimbursement of rent and utilities	198,465	74,472	11,454	28,200
	Dividend Receivable	-	-	16,705,060	-
BPC Services Limited	Reimbursement of rent and utilities	63,745	58,192	2,004	344
	Purchase	33,900	25,882	(2,625)	
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	3,977,330	939,444	145,690	117,604
	Disbursement of convertible loan	-	(19,444,000)	-	-
Hydro-Consult Engineering Limited	Purchase	9,866,534	5,571,212	(3,563,534)	(468,995)
	Reimbursement of rent and utilities	4,907,631	4,626,052	-	
Kabeli Energy Limited	Reimbursement of rent and utilities	1,757,195	1,651,378	69,201	3,092,562

**Note : 35**

**Contingent Liabilities and commitments**

**A. Corporate Guarantee**

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

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

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 28.8 million considering the period since commencement date till Ashadh end 2076. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited.

**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.

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

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

BPC's part of capital commitment on this project is NPR 1,075 million for overall 70.22% shareholding after set aside for locals/public.

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

BPC has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.185.32 million has been spent by the group as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR.

**iv. 7.9 -MW Chino Khola Hydropower Project**

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development. Application along with updated report has been submitted to DOED for amendment of survey license for the capacity of 7.9 MW. NPR. 23.67 million has been spent by the company for this project as on reporting date.

**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.12.27 million has been spent by the company for this project as on reporting date.

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

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

**vii. 135 MW Manang Marsyangdi Hydropower Project (M1)**

BPC has acquired 100% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. BPC's part of capital commitment on this project is NPR 943 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 564.17 million for this project as on reporting date.

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

BPC has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation. BPC's part of capital commitment on this project is NPR 2,284 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 777.90 million for this project as on reporting date.

**ix. Marsyangdi Transmission Project (MTP)**

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



#### x. New RAS Software Development

BPC has entered into contract to develop the new RAS (Revenue Accounting Software) for billing to electricity consumers. As per the contract, the total consideration for such services shall be NPR 2.13 million, out of which the company has already made payment of 25% and has further capital commitment of NPR 1.60 million under this contract.

#### Note 36

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

(in NPR)

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

##### Income Statement of generation, distribution and other sources of income for the year ending on 32 Ashad, 2075

(in NPR)

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	328,693,608	148,404,071	44,246,701	145,022,560	-	666,366,940
<b>Cost of Sales</b>						
Generation Expenses	(139,269,024)	(123,990,218)	-	-	-	(263,259,242)
Distribution Expenses	-	-	(36,412,415)	(74,442,834)	-	(110,855,249)
<b>Gross profit</b>	<b>189,424,584</b>	<b>24,413,853</b>	<b>7,834,286</b>	<b>70,579,726</b>	-	<b>292,252,449</b>
Depreciation Being Revenue Portion of Grant Aid	232,918	259,851	2,649,410	4,041,229	-	7,183,408
Other income	15,130,359	2,690,659	862,443	2,334,759	530,940,232	551,958,452
Administrative and other operating expenses	(50,425,400)	(22,202,666)	(6,512,939)	(21,346,010)	(25,662,911)	(126,149,926)
Impairment loss on investment	-	-	-	-	(2,244,252)	(2,244,252)
<b>Profit from Operation</b>	<b>154,362,461</b>	<b>5,161,697</b>	<b>4,833,200</b>	<b>55,609,704</b>	<b>503,033,069</b>	<b>723,000,131</b>
Finance Income	7,195	34,096	31,155	36,397	92,488,556	92,597,399
Finance Costs	-	(30,831,815)	(630)	(100)	(34,560,649)	(65,393,194)
<b>Profit Before Tax</b>	<b>154,369,656</b>	<b>(25,636,022)</b>	<b>4,863,725</b>	<b>55,646,001</b>	<b>560,960,976</b>	<b>750,204,336</b>

**Note 37****CSR expenses as per Industrial Enterprises Act 2016 (2073 B.S.)**

New Industrial Enterprises Act 2016 (2073 BS) (the "Act") has been introduced with effect from November 22, 2016 repealing the Industrial Enterprises Act 1992 (2049 BS) (the "Previous Act"). Section 48 of Industrial Enterprises Act 2016 (2073 BS) 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. 16,281,071 on "Environment, Community & Mitigation" and allocated budget Rs. 17.02 million for FY 2076/77 to meet CSR requirement, which is more than required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.



**bpcc**  
BUTWAL POWER  
COMPANY LIMITED



**Consolidated**  
Financial Statements  
**2018-2019**

## **Independent Auditor's Report**

### **TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED**

#### **REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

##### **DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 16 July 2019, 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.

We do not express opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

##### **BASIS FOR DISCLAIMER OF OPINION**

The Company holds 51.30% of shares in its subsidiary company "Nepal Hydro & Electric Limited (NHE)" which represents about 10% of Group's total assets and about 17% of Group's total revenue in last financial year. The financial statements of this subsidiary for the current year were not made available to management and as a result the accompanying consolidated financial statements do not include financial information of the current year relating to this subsidiary. The management has not consolidated the amounts for revenue & expenses, cash flows and changes in equity of this subsidiary in the consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the group and the management has consolidated the balances of assets, liabilities and equity of this subsidiary at amount equivalent to the respective amounts of previous year in the consolidated statement of financial position. Further, the financial statements of this subsidiary have not been audited after financial year 2016-17 (2073-74) and provisional financial statements were considered for preparing consolidated financial statements of immediate

previous year. As a result, we were unable to determine the impact due to non-inclusion of current year's financial information of this subsidiary in the Group's consolidated financial statements.

##### **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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Nepal Standards on Auditing and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

# STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2076 (16 July 2019)

(in NPR)

	Note	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	535,906,755	554,885,236
Capital work-in-progress	3	25,435,710	27,283,541
Intangible assets	4	2,732,786,275	2,302,931,658
Intangible assets under development	5	2,304,997,379	1,033,426,517
Project work-in-progress	7	220,373,448	206,562,704
Financial assets			
Investment in associates and joint ventures	8	1,507,857,284	773,703,942
Other investments	9	1,198,632,424	1,153,818,726
Trade receivables	13	7,604,323	7,647,988
Other financial assets	14	115,490	111,490
Deferred tax assets	6	18,473,243	17,652,777
Other non-current assets	15	117,801,669	239,523,152
<b>Total Non-Current Assets</b>		<b>8,669,984,000</b>	<b>6,317,547,731</b>
<b>Current Assets</b>			
Inventories	10	93,224,829	97,044,010
Financial assets			
Trade receivables	13	420,979,856	383,845,094
Cash and cash equivalents	11	613,976,869	684,913,740
Bank balance other than cash and cash equivalents	12	56,929,898	57,680,896
Other financial assets	14	699,349,030	1,998,165,797
Other current assets	15	419,657,543	422,925,434
Current tax assets (net)	6C	48,925,795	78,077,626
<b>Total Current Assets</b>		<b>2,353,043,820</b>	<b>3,722,652,597</b>
<b>Total Assets</b>		<b>11,023,027,820</b>	<b>10,040,200,328</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity	16	2,440,555,400	2,218,672,000
Other Equity	17	4,686,732,792	4,523,596,533
Non-controlling interest	34	278,527,565	267,470,181
<b>Total Equity</b>		<b>7,405,815,757</b>	<b>7,009,738,714</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Grant aid in reserve	18	202,659,432	208,574,681
Financial liabilities			
Borrowings	21	1,960,336,242	1,482,701,551
Other financial liabilities	22	105,354,556	38,069,812
Provisions	19	16,040,825	14,767,841
Deferred tax liabilities	6	371,044,477	316,264,417
Other non-current liabilities	23	24,113,645	23,957,413
<b>Total Non-Current Liabilities</b>		<b>2,679,549,177</b>	<b>2,084,335,715</b>

## STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2076 (16 July 2019)

<b>Current Liabilities</b>			
Financial liabilities			
Borrowings	21	168,416,636	238,046,551
Trade payables	20	114,566,748	50,283,376
Other financial liabilities	22	155,170,657	151,186,779
Provisions	19	8,742,813	5,363,157
Other current liabilities	23	487,803,872	501,246,036
Current tax liabilities (net)	6D	2,962,160	-
<b>Total Current Liabilities</b>		<b>937,662,886</b>	<b>946,125,899</b>
<b>Total Liabilities</b>		<b>3,617,212,063</b>	<b>3,030,461,614</b>
<b>Total Equity and Liabilities</b>		<b>11,023,027,820</b>	<b>10,040,200,328</b>

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

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

As per our report of even date

**Radheshyam Shrestha**  
Vice President- Finance

**Bijaya Krishna Shrestha**  
Director

**Sandip kumar Dev**  
Director

**Jitendra Kumar Mishra**  
Partner  
Csc & Co.

**Ratna Sambhava Shakya**  
Chief Manager- Finance

**Om Prakash Shrestha**  
Director

**Sandip Shah**  
Director

Chartered Accountants

**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: December 8, 2019**  
**Place: Kathmandu, Nepal**

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2076 (16 July 2019)

(in NPR)

	Note	2075-76	2074-75
Revenue	24	2,172,881,595	1,808,571,904
Cost of Sales	25	(1,778,272,542)	(1,311,998,240)
<b>Gross profit</b>		<b>394,609,053</b>	<b>496,573,664</b>
Depreciation Being Revenue Portion of Grant Aid	18	7,681,350	7,183,408
Other income	27	586,109,335	536,865,637
Administrative and other operating expenses	26	(222,084,610)	(231,978,595)
<b>Profit from Operation</b>		<b>766,315,128</b>	<b>808,644,114</b>
Finance Income	28	157,197,471	96,988,822
Finance Costs	29	(53,954,553)	(89,915,731)
<b>Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations</b>		<b>869,558,046</b>	<b>815,717,205</b>
Share of (loss) / profit of associates and joint ventures (net) under equity method		4,977,563	4,724,815
<b>Profit Before Tax</b>		<b>874,535,609</b>	<b>820,442,020</b>
<b>Income Tax Expense</b>			
Current tax	6A	(59,945,519)	(38,603,728)
Deferred tax credit/charge	6A	(43,928,296)	(36,474,577)
<b>Profit for the year</b>		<b>770,661,794</b>	<b>745,363,715</b>
<b>Attributable to:</b>			
Owners of the parent		755,292,680	723,190,626
Non controlling interests		15,369,114	22,173,088
<b>Other comprehensive Income:</b>			
<b>Other comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
i. Re-measurement (losses) / gains on post employment defined benefit plans		-	-
ii. Equity instruments through other comprehensive income		40,125,198	12,487,288
iii. Income tax relating to items that will not be reclassified to profit or loss	6B	(10,031,300)	(179,061,941)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>30,093,898</b>	<b>(166,574,653)</b>
<b>Attributable to:</b>			
Owners of the parent		30,093,898	(166,574,653)
Non controlling interests		-	-
<b>Total Comprehensive Income/(loss) for the year, net of tax</b>		<b>800,755,692</b>	<b>578,789,062</b>
<b>Attributable to:</b>			
Owners of the parent		785,386,578	556,615,972
Non controlling interests		15,369,114	22,173,088
<b>Earnings per equity share of Rs. 100 each</b>			
Basic Earnings per share - Rs.	30	30.95	33.56
Diluted Earnings per share - Rs.	30	30.95	33.56

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

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

As per our report of even date

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Vice President- Finance

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**Sandip Kumar Dev**  
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Csc & Co.  
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Chief Manager- Finance

**Om Prakash Shrestha**  
Director

**Sandip Shah**  
Director

**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: December 8, 2019**  
**Place: Kathmandu, Nepal**

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2076 (16 July 2019)

(in NPR)

	2075-76	2074-75
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	874,535,609	820,442,020
<b>Adjustments for:</b>		
Depreciation on property, plant and equipment	37,685,990	51,718,092
Amortization of Intangible Assets	89,995,438	88,451,862
Depreciation Being Revenue Portion of Grant Aid	(7,681,350)	(7,183,408)
Provision for employee benefits	4,652,640	(60,185,943)
Provision for Bonus	32,366,692	27,611,175
Finance income	(157,197,471)	(96,988,822)
Impairment of Intangible asset	1,585,587	122,924
Finance cost	53,267,041	88,384,247
Equity Investment Written Off	639,500	-
Non-Cash Income	(4,600,000)	-
Unrealized foreign exchange difference on cash and cash equivalent	(7,961)	(312,564)
Loss/ (gain) on sale of Property, plant and equipment	(6,571,083)	(5,538,546)
<b>Working capital adjustments:</b>		
(Increase)/ Decrease in Trade Receivables	(37,091,097)	64,028,083
(Increase)/ Decrease in Other Financial Assets	(21,000,247)	(99,835,810)
(Increase)/ Decrease in Other Assets	124,989,374	(283,526,163)
(Increase)/ Decrease in Inventories	3,819,181	52,721,445
Increase /(Decrease) in Trade Payables	64,283,372	(66,050,206)
Increase/(Decrease) in Financial Liabilities	61,996,924	82,825,843
Increase/(Decrease) in Other Liabilities	8,068,196	115,553,760
<b>Cash generated from operations</b>	<b>1,123,736,335</b>	<b>772,237,989</b>
Bonus paid	(23,655,003)	(25,668,428)
Income Tax Paid	(26,890,931)	(25,477,203)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,073,190,401</b>	<b>721,092,358</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from sale of Property, Plant and Equipment	7,007,415	6,399,934
(Increase)/Decrease in Project work-in-progress	(13,810,744)	(31,241,912)
(Increase)/Decrease in Intangible assets under development	(1,180,421,178)	(605,849,571)
(Increase)/Decrease in Investment in Fixed Deposits	1,319,813,014	(1,350,000,000)
Interest Received	157,197,471	96,988,822
Acquisition of a Subsidiary	(564,112,737)	-
(Increase)/ Decrease Investment in Associates and Joint Ventures	(734,153,342)	(340,526,086)
(Increase)/ Decrease Other Investment	(728,000)	-
Acquisition of Property, plant and Equipment	(17,296,011)	(80,847,359)
Purchase of Intangibles	(48,340,056)	(64,453,280)
Grant Aid received/ (refunded)	1,766,101	13,414,423
Bank balance other than cash and cash equivalents	750,998	14,311,972
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(1,072,327,069)</b>	<b>(2,341,803,057)</b>



**CASH FLOWS FROM FINANCING ACTIVITIES**

Issue of further public offering (FPO)	-	2,044,581,000
Issue of right share	-	-
Share Issue Cost	-	(18,797,458)
Issue of share in subsidiaries	4,425,700	1,529,000
Borrowing (repaid) / taken (net)	477,634,691	727,706,418
Dividend paid	(430,971,599)	(436,041,927)
Interest paid	(53,267,041)	(93,031,569)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(2,178,249)</b>	<b>2,225,945,464</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,314,917)</b>	<b>605,234,765</b>
Net foreign exchange difference on cash and cash equivalents	7,961	312,564
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>610,806,341</b>	<b>5,259,012</b>
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<b>609,499,385</b>	<b>610,806,341</b>

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

**Uttar Kumar Shrestha**  
Chief Executive Officer

**Padma Jyoti**  
Chairman

**Pradeep Kumar Shrestha**  
Director

As per our report of even date

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**Dinesh Humagain**  
Director

**Tirtha Man Shakya**  
Director

**Date: December 8, 2019**  
**Place: Kathmandu, Nepal**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2076 (16 July 2019)

(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*			
<b>Balance at 1 Shrawan, 2074</b>	<b>1,810,572,000</b>	<b>149,851,776</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>703,760,477</b>	<b>1,773,608,362</b>	<b>2,794,072,456</b>	<b>251,942,189</b>	<b>4,856,586,645</b>
Profit for the year	-	-	-	-	-	723,190,626	723,190,626	22,173,088	745,363,714
Other comprehensive income	-	-	-	(166,574,653)	-	-	(166,574,653)	-	(166,574,653)
<b>Total comprehensive income</b>	-	-	-	<b>(166,574,653)</b>	-	<b>723,190,626</b>	<b>556,615,973</b>	<b>22,173,088</b>	<b>578,789,061</b>
Issue of share in subsidiaries	-	-	-	-	-	-	-	<b>1,529,000</b>	<b>1,529,000</b>
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-	-	-	-
Issue Of Further Public Offering (FPO)	408,100,000	1,636,481,000	-	-	-	-	1,636,481,000	-	<b>2,044,581,000</b>
Share Issue Cost	-	(18,797,458)	-	-	-	-	(18,797,458)	-	<b>(18,797,458)</b>
Dividends to shareholders	-	-	-	-	(444,775,438)	-	(444,775,438)	(8,174,096)	<b>(452,949,534)</b>
<b>Balance at 32nd Ashadh, 2075</b>	<b>2,218,672,000</b>	<b>1,767,535,318</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>537,185,824</b>	<b>2,052,023,550</b>	<b>4,523,596,533</b>	<b>267,470,181</b>	<b>7,009,738,714</b>
Profit for the year	-	-	-	-	-	755,292,680	755,292,680	15,369,114	770,661,794
Other comprehensive income	-	-	-	-	30,093,898	-	30,093,898	-	30,093,898
<b>Total comprehensive income</b>	-	-	-	-	<b>30,093,898</b>	<b>755,292,680</b>	<b>785,386,578</b>	<b>15,369,114</b>	<b>800,755,692</b>
Issue of share in subsidiaries	-	-	-	-	-	-	-	4,425,700	<b>4,425,700</b>
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	221,883,400	-	-	-	(221,883,400)	-	(221,883,400)	-	-
Issue Of Further Public Offering (FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	-	(400,521,968)	(400,521,968)	(8,582,381)	<b>(409,104,349)</b>
Transfer to Retained Earnings	-	-	-	-	155,049	155,049	155,049	(155,049)	-
<b>Balance at 31st Ashadh, 2076</b>	<b>2,440,555,400</b>	<b>1,767,535,318</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>567,279,722</b>	<b>2,185,065,911</b>	<b>4,686,732,792</b>	<b>278,527,565</b>	<b>7,405,815,757</b>

\* Fair Value Reserve through OCI which was included in Retained Earnings till last year now separately disclosed for better presentation.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

## 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, 2076.

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 2076 (16th July 2019).

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 22nd Mangsir, 2076 (8th December, 2019). 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 2019-20.

#### *ii. 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.

#### *iii. 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.

#### *iv. Basis of consolidation*

The consolidated financial statements comprise

the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashadh, 2076. 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 loses 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 financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were not made available to the management of the Company so the consolidated financial statements do not include the financial information of NHE in the current year. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group have not consolidated the 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 previous year respective amounts of NHE.

### **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: -

Figure in NPR

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. Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. 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.

### MUTUALLY AGREED RETIREMENT SCHEME

The company has introduced Mutually Agreed Retirement Scheme (MARS) during the current year. Employee who has completed 15 years of service can apply for voluntary retirement under this scheme. During the year, 32 employees of the company have taken retirement through MARS. The additional financial compensation as per this scheme is as follows:

- a. 100% of Basic salary (maintained at the time of scheme opening date) for remaining service period for the employee with remaining service period up to 10 years.
- b. 75% of Basic salary (maintained at the time of scheme opening date) for the employee with remaining service period more than 10 years.

## 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: 17% (2074/75: 17%)  
Income from Other services: 25% (2074/75: 25%)

Parent Company, being a listed manufacturing company, has availed the rebate of 15% (2074/75:15%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

### 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. Recent enacted Tax rate for income from manufacturing and sale of electricity is 20% instead of 17%.

## 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, 2076 and Ashadh 32, 2075: -

Particulars	Currency	Ashadh 31, 2076	Ashadh 32, 2075
Cash and bank balance	NPR	9,439,503	6,533,095
	USD	86,317	59,750
Trade Receivables	NPR	8,463,890	8,462,342
	USD	77,395	77,394
Advance to Suppliers / Contractors/Sub-contracts	NPR	126,649,012	187,556,797
Advance to Suppliers / Contractors/Sub-contracts	USD	2,606,454	3,452,426
Retention Money Payable	NPR	51,113,926	20,660,033
Retention Money Payable	USD	7,25,567	237,055

### 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, 2076 and 32nd Ashadh, 2075.

## 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".

## 2.25 Description of Subsidiaries, Associates, Joint Ventures and other equity investments

Figure in NPR

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2076	Ashadh 32, 2075
On the basis of audited financial statement			
<b>Subsidiaries:</b>			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	97.22%	97.22%
BPC Services Limited (BPCSL)	Engineering consultancy services	100%	100%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	80%	80%
Manang Marshyandi Hydropower Company Private Limited (MMHCPL)	Generation and sale of hydro electricity	100%	-
On the basis of unaudited financial statement			
<b>Subsidiaries:</b>			
Nepal Hydro & Electric Limited (NHE) <b>Refer Limitation on Consolidation w.r.t this subsidiary in Note 2.1(iv)</b>	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60%	60%
<b>Associates:</b>			
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	40%	40%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	27.24%	26.78%
Himtal Hydropower Company Private Limited	Generation and sale of hydro electricity	19.40%	-
Marsyangdi Transmission Company Private Limited	Transmission of electricity	19.40%	-
<b>Joint ventures:</b>			
CQNEC - NHE Consortium - KM Project	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium – Chapali	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC - NHE Consortium – GSRP	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium-Purbi Chitwan	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium – Kohalpur	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
NHE-IPM Joint Venture	Supply and Delivery of Turbine Spare Parts and Repair of Turbine	26.16%	26.16%
ERMC & Hydro Consult JV	Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I	32.00%	32.00%
Hydro Consult & ERMC JV	<ul style="list-style-type: none"> <li>• Detailed Engineering Design of Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydropower Project</li> <li>• Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP</li> </ul>	48.00%	48.00%
HCE-Hydrolab RECHAM JV	Study on sediment Management in Run-of-River Hydropower Projects of Nepal	-	36.00%
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinaru Diversion Multipurpose Project	24.00%	24.00%
HCE-ITECO-TMS JV	Detailed Feasibility Study of Sunsari Morang Irrigation Project	32.00%	32.00%

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2076	Ashadh 32, 2075
HCE-BDA JV	Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW)	48%	-
<b>Other equity investments:</b>			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		10.73%	10.73%
Dordi Khola Jal Bidyut Company Ltd		0.3%	0.3%

## 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 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 14% (i.e. the prevailing interest rate 11.50% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

### C) BPC SERVICES LIMITED

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

### D) NYADI HYDROPOWER LIMITED

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 98.19% shares followed by LEDCO shareholding 1.81%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are going on as per the set timeline. Altogether, around 75% of the total contract works of head works, underground works, penstock, powerhouse, other civil works, HM works, EM and transmission lines are completed as on reporting date.

### E) HYDRO-CONSULT ENGINEERING LIMITED

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and 20% shares held by People Energy and Environment Development Association (PEEDA).

**F) MANANG MARSYANGDI HYDROPOWER COMPANY PVT. LTD.**

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

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

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed.

**Associates**

**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 2074/75. 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 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.

**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 Marshyangdi 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.

**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.

## Joint Ventures

### K) NHE-IPM JOINT VENTURE

Nepal Hydro & Electric Limited have entered into a joint venture agreement with Industrial Processors & Metallizers (P) Ltd (IPM) [named 'NHE-IPM Joint Venture'] for carrying out the work of 'Supply and Delivery of Turbine Spare Parts and Repair of Turbine of Kali Gandaki 'A' Hydro Power Plant Rehabilitation Project' contract ID No. KGAHPPRP/G/ICB-3. The Joint Venture entered into an agreement with Nepal Electric Authority for the said project on August 8, 2014. The value of the contract was Rs. 115,872,100. Based on which the Joint Venture has awarded the work of 'repair of turbine' to Nepal Hydro & Electric Limited for a contract value of Rs. 37,356,100 on August, 2014.

### L) CQNEC-NHE CONSORTIUM, CHAPALI

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Construction & Installation of 132/66 kV Chapali Substations and Associated Works under 'Chapali Augmentation (Chapali 132 kV Substation expansion) Project'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on June 06, 2014. The value of the contract was US\$ 4,203,781.15 plus CHF 1,377,567.59 plus IRs 65,005,374.30 plus NRs 153,609,740.49. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 120,000,000 on 07th September 2014.

### M) CQNEC-NHE CONSORTIUM, KOHALPUR MAHENDRANAGAR

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Design, Supply, & Construction of 132kV Substations. The Consortium entered into an agreement with Nepal Electric Authority for

the said project on February 06, 2015. The value of the contract was US\$ 1,862,528.09 plus IRs 166,098,628.99 plus NRs 329,915,964.42. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 324,967,224.95 on 07th April 2015.

### N) CQNEC-NHE CONSORTIUM, GSRP

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Procurement of Plant for Grid Substation Reinforcement Project (Design, Supply and Install)' contract ID No. PMD/GSRP-071/072-01. The Consortium entered into an agreement with Nepal Electric Authority for the said project on July 05, 2015. The value of the contract was US\$ 3,687,101.76 plus IRs 79,733,918.74 plus NRs 134,643,028.14. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 130,603,737.32 on 20th July 2015.

### O) CQNEC-NHE CONSORTIUM, KULEKHANI 1ST

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Delivery, Laying, Installation, Testing & Commissioning of 66kV, XLPE, 240 Sq. mm, Single Core, Copper Conductor, Aluminum Armored Power Cable With Termination Kits'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on March 20, 2016. The value of the contract was NRs 31,178,906.94. Based on which, the Consortium will be awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited.

### P) HCE-ERMJ 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 Nyauringad Hydropower Project
- Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW)

**Q) 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.

**R) 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).

**S) 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).

**T) 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).

**Other equity investments**

**U) HIMAL POWER LIMITED**

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057 (5 July, 2000). HPL was established on 2049/11/10 (21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB 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 current shareholders are Statkraft SF, BKK and BPC. BPC is holding 16.88% shares in HPL

**V) 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 HPLPL.

**W) 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.

**X) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

### Note no: 3

#### Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Total
<b>Cost</b>									
<b>Balance as at 1st Shrawan 2074</b>	<b>98,995,089</b>	<b>288,420,688</b>	<b>63,016,565</b>	<b>26,843,354</b>	<b>57,994,231</b>	<b>19,448,725</b>	<b>46,319,250</b>	<b>27,754,943</b>	<b>628,792,845</b>
Additions	1,173,860	5,184,346	38,941,570	444,712	7,377,172	2,943,055	25,254,046	446,069	81,764,830
Adjustment	-	1,509,073	1,376,325	1,799,366	4,369,112	2,804,835	560,839	-	12,419,550
Transfer from CWIP	-	-	-	-	-	-	-	(917,471)	(917,471)
Disposals	-	-	(36,308)	(41,439)	(220,192)	(293,033)	(1,081,087)	-	(1,672,059)
<b>Balance at 32nd Ashadh 2075</b>	<b>100,168,949</b>	<b>295,114,107</b>	<b>103,298,152</b>	<b>29,045,993</b>	<b>69,520,323</b>	<b>24,903,582</b>	<b>71,053,048</b>	<b>27,283,541</b>	<b>720,387,695</b>
Additions	1,050,000	307,361	1,123,739	4,188,702	1,413,960	6,588,255	2,249,214	533,925	17,455,156
Adjustment	-	-	-	-	-	-	-	-	-
Transfer from CWIP	-	2,222,610	-	-	-	-	-	(2,381,756)	(159,146)
Disposals	-	-	(129,029)	(214,212)	(87,207)	(953,427)	(278,154)	-	(1,662,029)
<b>Balance at 31st Ashadh 2076</b>	<b>101,218,949</b>	<b>297,644,078</b>	<b>104,292,862</b>	<b>33,020,483</b>	<b>70,847,076</b>	<b>30,538,410</b>	<b>73,024,108</b>	<b>25,435,710</b>	<b>736,021,676</b>
<b>Accumulated depreciation</b>									
<b>Balance as at 1st Shrawan 2074</b>	-	<b>20,231,214</b>	<b>16,361,269</b>	<b>8,193,367</b>	<b>19,953,156</b>	<b>4,013,339</b>	<b>6,139,608</b>	-	<b>74,891,953</b>
Charge for the year	-	13,333,849	9,162,851	4,753,415	10,104,969	3,933,596	10,429,412	-	51,718,092
Adjustment	-	67,414	543,311	1,839,497	3,426,429	3,219,892	3,323,002	-	12,419,545
Disposals	-	-	(14,010)	(23,957)	(130,968)	(177,002)	(464,734)	-	(810,671)
<b>Balance at 32nd Ashadh 2075</b>	-	<b>33,632,477</b>	<b>26,053,421</b>	<b>14,762,322</b>	<b>33,353,586</b>	<b>10,989,825</b>	<b>19,427,288</b>	-	<b>138,218,919</b>
Charge for the year	-	11,556,798	7,146,197	4,076,849	1,332,372	6,864,762	6,709,012	-	37,685,990
Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	-	(88,204)	(177,493)	(70,100)	(699,756)	(190,144)	-	(1,225,697)
<b>Balance at 31st Ashadh 2076</b>	-	<b>45,189,275</b>	<b>33,111,414</b>	<b>18,661,678</b>	<b>34,615,858</b>	<b>17,154,831</b>	<b>25,946,156</b>	-	<b>174,679,212</b>
<b>Net book value</b>									
At 1st Shrawan 2074	98,995,089	268,189,474	46,655,296	18,649,987	38,041,075	15,435,386	40,179,642	27,754,943	553,900,892
At 32nd Ashadh 2075	100,168,949	261,481,630	77,244,731	14,283,671	36,166,737	13,913,757	51,625,760	27,283,541	582,168,776
At 31st Ashadh 2076	101,218,949	252,454,803	71,181,448	14,358,805	36,231,218	13,383,579	47,077,952	25,435,710	561,342,464

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

### Note no: 4

#### Intangible assets:

	Goodwill	Computer Software	Service Concession Arrangement Intangibles	Total
<b>Cost</b>				
Balance as at 1st Shrawan 2074	-	10,824,203	2,487,817,638	<b>2,498,641,841</b>
Additions - Externally acquired	-	39,550	63,496,259	<b>63,535,809</b>
Transfer from CWIP	-	-	917,471	<b>917,471</b>
Adjustment during the year	-	(333,077)	(205,570)	<b>(538,647)</b>
Balance at 32nd Ashadh 2075	-	10,530,676	2,552,025,798	<b>2,562,556,474</b>
Additions - Externally acquired	-	-	48,180,910	<b>48,180,910</b>
Acquisition of a Subsidiary [Refer Note "c" below]	473,095,586	-	-	<b>473,095,586</b>
Transfer from CWIP	-	-	159,146	<b>159,146</b>
Adjustment during the year	-	(1,493,199)	(1,794,254)	<b>(3,287,453)</b>
Balance at 31st Ashadh 2076	473,095,586	9,037,477	2,598,571,600	<b>3,080,704,663</b>
<b>Amortisation</b>				
Balance as at 1st Shrawan 2074	-	5,504,452	166,084,225	<b>171,588,677</b>
Charge for the year	-	1,723,999	86,727,863	<b>88,451,862</b>
Adjustment during the year	-	(395,666)	(20,057)	<b>(415,723)</b>
Balance at 31st Ashadh 2076	-	6,832,785	252,792,031	<b>259,624,816</b>
Charge for the year	-	1,098,051	88,897,387	<b>89,995,438</b>
Adjustment during the year	-	(1,493,199)	(208,667)	<b>(1,701,866)</b>
Balance at 31st Ashadh 2076	-	6,437,637	341,480,751	<b>347,918,388</b>
<b>Net book value</b>				
At 1st Shrawan 2074	-	5,319,751	2,321,733,413	<b>2,327,053,164</b>
At 32nd Ashadh 2075	-	3,697,891	2,299,233,767	<b>2,302,931,658</b>
At 31st Ashadh 2076	473,095,586	2,599,840	2,257,090,849	<b>2,732,786,275</b>

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 26 March 2019, the Group acquired 100% equity shares of Mananag Marshyangdi Hydropower Company Pvt. Ltd. The company is developing 282 MW Manang Marshyangdi Hydro Electric Project located on the Marshyangdi River in Manang district. The total purchase consideration for such acquisition stands at NPR 564,173,790.

Goodwill under such acquisition has been derived as below:

Particulars	Amount In NPR
Total Purchase Consideration	564,173,790
Less: Net Assets Acquired	91,078,204
<b>Goodwill</b>	<b>473,095,586</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

Note: 5

Intangible assets under development

Particulars	As at 31st Ashad 2076	As at 32nd Ashad 2075
<b>Pre-operating Expenses (A)</b>	<b>465,940,294</b>	<b>204,121,069</b>
Depreciation	14,721,247	10,728,958
Employee related cost	87,597,522	60,169,918
Other Project Operation Expenses	107,335,398	20,856,768
LEDCO Service Fee and Expenses	35,000,000	30,514,752
Licensing & Other Development Fees	8,899,100	8,899,100
Pre-Construction Interest, Commission & Fees	24,879,366	24,835,484
Interest, Commission & Fees during Construction	187,507,661	45,344,302
Price Indexation	-	2,771,787
<b>Land Acquisitions (B)</b>	<b>33,718,908</b>	<b>33,718,908</b>
Land & Land Developments	33,718,908	33,718,908
<b>Civil Works (C)</b>	<b>1,347,778,863</b>	<b>582,506,622</b>
Civil Works	1,284,068,628	518,796,387
Access Road	28,634,345	28,634,345
Marshyangdi Bridge	32,427,420	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	2,648,470	2,648,470
<b>Environment &amp; Social Cost (D)</b>	<b>27,422,334</b>	<b>18,905,700</b>
Trainings & Developments	1,789,919	1,601,684
Community & Social Expenses	16,102,882	12,408,453
Nursery and Plantation	836,464	830,964
Infrastructure Developments	8,693,069	4,064,599
<b>Engineering &amp; Management (E)</b>	<b>221,861,331</b>	<b>193,411,757</b>
Engineering, Design & Development Expenses	122,255,243	125,365,708
Consultancy Fee & Expenses	95,547,164	65,060,310
Inspection & Project Supervision	4,058,924	2,985,739
<b>Transmission Line (F)</b>	<b>3,091,913</b>	<b>762,461</b>
Transmission Line Works	3,091,913	762,461
<b>Hydro Mechanical Works (G)</b>	<b>102,638,547</b>	-
Hydro Mechanical Works	102,638,547	-
<b>Electro Mechanical Works (H)</b>	<b>102,545,189</b>	-
Electro Mechanical Works	102,545,189	-
<b>Total (A+B+C+D+E+F+G+H)</b>	<b>2,304,997,379</b>	<b>1,033,426,517</b>

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 initial stage of 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

### Note no: 6

#### INCOME TAXES

A. Tax expense recognised in the Statement of Profit or Loss	Year ended 31 Ashad, 2076	Year ended 32 Ashad, 2075
<b>Current tax</b>		
Current income tax charge	59,945,519	37,266,483
Adjustments for under provision in prior periods	-	1,337,245
<b>Deferred tax credit/(charge)</b>		
Origination and reversal of temporary differences	43,928,296	36,413,914
Adjustments/(credits) related to previous years - (net)	-	60,663
<b>Income tax expense reported in statement of Profit or Loss</b>	<b>103,873,815</b>	<b>75,078,305</b>

B. Tax expense recognised in Other comprehensive income	Year ended 31 Ashad, 2076	Year ended 32 Ashad, 2075
<b>Deferred tax</b>		
Income tax relating to items that will not be reclassified to profit or loss	10,031,300	179,061,941
<b>Income tax charged to OCI</b>	<b>10,031,300</b>	<b>179,061,941</b>

C. Current tax asset -net:	Year ended 31 Ashad, 2076	Year ended 32 Ashad, 2075
Advance Income Tax	106,408,729	115,344,109
Less: Income Tax Liability	(57,482,934)	(37,266,483)
<b>Total</b>	<b>48,925,795</b>	<b>78,077,626</b>

D. Current tax (liability) -net:	Year ended 31 Ashad, 2076	Year ended 32 Ashad, 2075
Income Tax Liability	(27,009,929)	-
Less: Advance Income Tax	24,047,769	-
<b>Total</b>	<b>(2,962,160)</b>	<b>-</b>

The Group's subsidiary Hydro Consult Engineering Limited has written off amount carried forward since previous years relating to advance tax withheld at Kenya amounting to Rs. 10,106,283 during the year. The amount was being carried forward since previous year and the company believes that the amount is no longer adjustable against income from Kenya on the grounds that the tax withheld at Kenya will always be higher than the amount to be paid as income tax for income source of Kenya.

E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashad, 2076	Year ended 32 Ashad, 2075
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	902,537,874	856,245,300
Enacted tax rate	23.49%	23.04%
<b>Computed tax expense</b>	<b>212,014,650</b>	<b>197,247,014</b>
<b>Differences due to:</b>		
Tax effect due to non taxable income	(145,369,155)	(128,562,187)
Tax effect due to non-deductible expenses	14,093,520	8,531,916

Due to reduced tax rate on foreign income source	(16,677)	-
Effect due to additional deductible expenses	(92,024)	-
Tax effect due to difference in depreciation rate	(13,505,389)	(17,219,035)
Use of previous losses	(7,179,406)	(22,731,225)
Tax Related to Prior Period	-	1,337,245
<b>Current tax on profits for the year</b>	<b>59,945,519</b>	<b>38,603,728</b>

#### F. The movement in deferred tax assets and liabilities during the year ended 32 Ashadh, 2075 and 31 Ashadh, 2076:

##### i) Deferred Tax Assets

Movement during the year ended 32 Ashadh, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 32 Ashadh, 2075
Deferred tax assets/(liabilities)				
Provision for leave encashment	767,084	39,360	-	806,444
Provision for gratuity	13,784,632	(72,125)	-	13,712,507
Depreciation	2,317,148	(64,978)	-	2,252,170
Provision for CSR	-	93,165	-	93,165
Provision for PLI	843,482	(54,991)	-	788,491
	<b>17,712,346</b>	<b>(59,569)</b>	-	<b>17,652,777</b>

Movement during the year ended 31 Ashadh, 2076	As at 1 Shrawan, 2075	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	
Deferred tax assets/(liabilities)				
Provision for leave encashment	806,444	320,312	-	1,126,756
Provision for gratuity	13,712,507	-	-	13,712,507
Depreciation	2,252,170	(89,224)	-	2,162,947
Provision for CSR	93,165	21,101	-	114,266
Provision for PLI	788,491	568,276	-	1,356,767
	<b>17,652,777</b>	<b>820,465</b>	-	<b>18,473,243</b>

##### ii) Deferred Tax Liability

Movement during the year ended 32 Ashadh, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	29,011,102	(17,649,977)	-	11,361,125
Provision for leave encashment	1,946,460	233,393	-	2,179,853
Provision for gratuity	142,074	(142,074)	-	-
Leave money payable	126,439	(126,439)	-	-
Depreciation	(134,588,696)	(19,297,524)	-	(153,886,220)
Amortisation cost of term loan	-	6,549	-	6,549
Investment in equity instrument	-	-	(179,061,941)	(179,061,941)
Provision for loss on investment	2,575,154	561,063	-	3,136,217
	<b>(100,787,467)</b>	<b>(36,415,009)</b>	<b>(179,061,941)</b>	<b>(316,264,417)</b>

Movement during the year ended 31 Ashadh, 2076	As at 1 Shrawan, 2075	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31 Ashadh, 2076
<b>Deferred tax assets/(liabilities)</b>				
Accumulated Tax Based Losses	11,361,125	(9,411,677)	-	1,949,448
Provision for leave encashment	2,179,853	626,379	-	2,806,232
Provision for gratuity	-	189,793	-	189,793
Leave money payable	-	-	-	-
Depreciation	(153,886,220)	(36,761,710)	-	(190,647,930)
Amortisation cost of term loan	6,549	150,911	-	157,461
Investment in equity instrument	(179,061,941)	-	(10,031,300)	(189,093,241)
Provision for loss on investment	3,136,217	457,543	-	3,593,760
	<b>(316,264,417)</b>	<b>(44,748,761)</b>	<b>(10,031,300)</b>	<b>(371,044,477)</b>

**Note no: 7**

**Project work-in-progress**

Particulars	As at 31st Ashadh 2076 At cost	As at 32nd Ashadh 2075 At cost
Chino Khola SHP	23,360,066	21,195,699
Lower Manang Marshyangdi HEP	185,318,828	178,888,538
Mugu Karnali HEP	11,694,554	6,478,467
<b>Total</b>	<b>220,373,448</b>	<b>206,562,704</b>

a) Expenditure on Lower Manang Marsyangdi, Chino Khola and Mugu Karnali projects are shown as project work in progress. Refer Note. 33E (ii.), (iii.) and (iv.) for the status and detail of these projects.

**Note no: 8**

**Investment in associates and joint ventures**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	No. of shares	Amount	No. of shares	Amount
<b>Investment in associates</b>				
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	3,319,836	317,608,562	3,319,836	320,112,943
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	296,461,997	2,966,860	286,307,556
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	772,756,890	-	-
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,024,510	-	-
<b>Investment in joint ventures</b>				
CQNEC - NHE Consortium (KM Project)	-	3,029,102	-	3,029,102
CQNEC-NHE Consortium, Chapali	-	6,808,850	-	6,808,850
CQNEC - NHE Consortium (GSRP)	-	2,919,802	-	2,919,802
ERMC & Hydro Consult JV	-	651,113	-	475,874
Hydro Consult & ERMC JV	-	1,427,124	-	1,896,619

HCE-Hydrolab RECHAM JV	-	-	-	91,876
ITECO-TMS-HCE JV	-	1,337,010	-	-
HCE-ITECO-TMS JV	-	19,058	-	-
Hydro Consult & BDA JV	-	32,346	-	-
<b>Advance towards share capital including incidental cost:</b>				
Manang Marshayandi Hydropower Company Pvt. Ltd.	-	-	-	100,000,000
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	93,520,876	-	50,801,276
<b>Total Investment</b>	<b>6,894,402</b>	<b>1,507,857,284</b>	<b>6,286,696</b>	<b>773,703,942</b>

**Note no: 9**

**Other investments**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	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	1,175,049,485	2,978,502	1,137,772,578
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	17,254,939	10,000	14,406,648
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	-	-	6,395	639,500
Dordi Khola Jal Bidyut Company Limited (Equity Shares of NPR 100 each fully paid up)	56,000	6,328,000	10,000	1,000,000
<b>Total Investment at Fair Value through Other Comprehensive Income</b>	<b>3,044,502</b>	<b>1,198,632,424</b>	<b>3,004,897</b>	<b>1,153,818,726</b>

a) Investment in Jumdi Hydro Power has been fully written off this year due to uncertainty in completion of the project. The write off has been charged directly to Profit or Loss.

b) The Group's subsidiary company - Khudi Hydropower Limited has received 56,000 shares of Rs. 100 each from Dordi Khola Jal Bidyut Company Ltd. without any consideration payment. Company has incurred cost of Rs. 728,000 for receiving such shares and the same has been accounted as share investment.

**Note no: 10**

**Inventories**

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
General Stock/Office Supplies/Consumer Service Item	7,791,924	14,642,915
Stock of Electric Goods	41,517,297	40,795,927
T/L and D/L Stock	7,505,100	7,888,697
Other engineering inventories and spare parts	36,410,508	33,716,471
<b>Total</b>	<b>93,224,829</b>	<b>97,044,010</b>

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 2076	As at 32nd Ashadh 2075
Balances with banks		
Local currency account		
In current accounts	73,018,706	66,326,434
In call accounts	121,351,193	87,722,182
In deposits accounts (Original maturity less than 3 months)	400,000,000	520,000,000
Convertible currencies account		
In current accounts	9,764,525	6,858,117
In call accounts	-	-
Cash on hand	708,175	436,603
Cheques on hand	9,134,270	3,570,404
	<b>613,976,869</b>	<b>684,913,740</b>

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:-

	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Cash at banks and on hand	613,976,869	684,913,740
Overdraft	(4,477,484)	(74,107,399)
	<b>609,499,385</b>	<b>610,806,341</b>

**Note no: 12**

**Bank balance other than cash and cash equivalents**

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
<b>Balances with Bank</b>		
In deposit account	48,500,000	48,500,000
<b>Embarked balance with bank</b>		
Unpaid dividend	-	2,329,299
Margin money	8,429,898	6,851,597
	<b>56,929,898</b>	<b>57,680,896</b>

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**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	90,030,986	8,373,961	81,549,172	8,373,961
Local Consumers	18,420,725	-	16,686,878	-
Bills receivables from JVs	20,000,000	-	20,000,000	-
Retention money held by the Customers	2,650,851	2,579,946	2,160,718	948,819
Other trade receivables	297,152,573	-	269,360,774	-
Less: Allowances for doubtful receivables	(7,275,279)	(3,349,584)	(5,912,448)	(1,674,792)
	<b>420,979,856</b>	<b>7,604,323</b>	<b>383,845,094</b>	<b>7,647,988</b>

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)**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-current	Current	Non-current
<b>Security deposits</b>				
Government Deposits	24,000,000	-	24,000,000	-
Deposit (Others)	34,385,474	115,490	34,407,629	111,490
Investment in Fixed Deposit	30,186,986		1,350,000,000	
<b>Loan and advances</b>				
Advances to Staff	11,957,022	-	16,381,010	-
Receivables from Employee Welfare Fund	9,301,855	-	-	-
Accrued Contract Revenue	188,836,839	-	190,452,753	-
<b>Receivables from associates and joint ventures</b>				
Other receivables from associates	17,152,360	-	17,230,157	-
Interest receivable from associates	79,190,659	-	79,190,664	-
Advance receivables from JVs	77,235,782	-	77,235,782	-
<b>Other receivables</b>				
Receivables from Harish Chandra Shah	210,000,000	-	205,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	-	-
Other Interest Receivables	-	-	2,892,054	-
Other receivables	2,102,053	-	1,375,748	-
<b>Total</b>	<b>699,349,030</b>	<b>115,490</b>	<b>1,998,165,797</b>	<b>111,490</b>

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)**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-current	Current	Non-current
Capital advance	-	5,649,094	-	2,407,377
Prepayments	14,675,025	-	15,442,965	-
Advance to Supplier/Contractor/Sub Contract	396,298,667	108,905,568	407,473,368	234,398,825
Deposit with Government authorities	-	2,697,753	-	2,697,753
Gratuity Fund Surplus	8,679,792	-	9,101	-
Other assets	4,059	549,254	-	19,197
	<b>419,657,543</b>	<b>117,801,669</b>	<b>422,925,434</b>	<b>239,523,152</b>

a) Gratuity Fund Surplus is the net balance after deducting gratuity payable of NPR 133,401,777 from amount of NPR 142,081,569 in Gratuity Fund maintained with Citizen Investment Trust (CIT) as on balance sheet date.

b) Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

**Note no: 16**
**Equity Share Capital**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	No. of Shares	Amount	No. of Shares	Amount
<b>A. Equity Shares</b>				
<b>Authorised</b>				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
<b>Issued</b>				
Equity Shares of Rs. 100 each with voting rights	24,405,554	2,440,555,400	22,202,250	2,220,225,000
<b>Subscribed and Fully Paid</b>				
Equity Shares of Rs. 100 each with voting rights	24,405,554	2,440,555,400	22,186,720	2,218,672,000
	<b>24,405,554</b>	<b>2,440,555,400</b>	<b>22,186,720</b>	<b>2,218,672,000</b>

**B. Reconciliation of the number of shares outstanding at the beginning and end of the year**

	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
	No. of Shares	No. of Shares
Balance as at the beginning of the year	22,186,720	18,105,720
Add: Issue of bonus share during the year	2,218,834	-
Add: Issue of Further Public Offering (FPO) during the year	-	4,081,000
<b>Balance as at the end of the year</b>	<b>24,405,554</b>	<b>22,186,720</b>

**C. Details of shareholding more than 1%**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	13,732,472	56.27%	12,484,065	56.27%
Government of Nepal	1,810,489	7.42%	1,645,899	7.42%
IKN Nepal A.S., Norway	385,452	1.58%	350,411	1.58%
United Mission to Nepal	333,556	1.37%	303,233	1.37%
Nepal Electricity Authority	210,348	0.86%	191,225	0.86%
General Public/Employees				
- NMB Bank Ltd.	458,897	1.88%	417,179	1.88%
- Kamana Sewa Bikas Bank Ltd.	324,114	1.33%	140,061	0.63%
- Other General Public shareholders	7,150,226	29.29%	6,654,647	29.99%

**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 2076	As at 32nd Ashadh 2075
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#### Declared and approved for during the year:

Dividends on ordinary shares: Final dividend for 2074-75: NPR 18 per share and stock dividend NPR 10 per share (2073-74: cash dividend NPR 20 per share)	399,344,760	443,734,400
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#### Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):

##### Dividends on ordinary shares:

Proposed cash dividend for 2075-76 NPR 18 per share and stock dividend NPR 10 per share (2074-75: cash dividend NPR 18 per share and stock dividend NPR 10 per share)	439,299,972	399,344,760
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a) The board of directors has proposed 18% cash dividend and 10% stock dividend on paid up capital from the net profit of the fiscal year 2075/76 and its accumulated reserve & surplus. The total amount of cash dividend NPR 439.30 million shall be payable and 2,440,556 numbers of bonus shares of NPR 100 each (equivalent to NPR 244.0556 million) shall be issued after the approval of 27th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2075/76 NPR 578.95 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

	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total
<b>Balance at 1 Shrawan 2074</b>	<b>149,851,776</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>703,760,477</b>	<b>1,773,608,362</b>	<b>2,794,072,456</b>
Profit for the year	-	-	-	-	723,190,626	<b>723,190,626</b>
Other comprehensive income	-	-	-	(166,574,653)	-	<b>(166,574,653)</b>
Issue of right share	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-
Issue of Further Public Offering	1,636,481,000	-	-	-	-	<b>1,636,481,000</b>
Share Issue Cost	(18,797,458)	-	-	-	-	<b>(18,797,458)</b>
Dividends to shareholders	-	-	-	-	(444,775,438)	<b>(444,775,438)</b>
<b>Balance at 32nd Ashadh 2075</b>	<b>1,767,535,318</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>537,185,824</b>	<b>2,052,023,550</b>	<b>4,523,596,533</b>
Profit for the year	-	-	-	-	755,292,680	<b>755,292,680</b>
Other comprehensive income	-	-	-	30,093,898	-	<b>30,093,898</b>
Issue of right share	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	(221,883,400)	<b>(221,883,400)</b>
Issue of Further Public Offering	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-	-	(400,521,968)	<b>(400,521,968)</b>
Transfer to Retained Earnings	-	-	-	-	155,049	<b>155,049</b>
<b>Balance at 31st Ashadh 2076</b>	<b>1,767,535,318</b>	<b>18,151,841</b>	<b>148,700,000</b>	<b>567,279,722</b>	<b>2,185,065,911</b>	<b>4,686,732,792</b>

\* Fair Value Reserve through OCI which was included in Retained Earnings till last year now separately disclosed for better presentation.

**Note no: 18**
**Grant aid in reserve**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Closing Balance	Amortisation for the year	Closing Balance	Amortisation for the year
Name of Grantors				
NORAD	8,792,578	328,484	9,121,062	328,484
UMN PCS	17,607,335	673,931	18,281,266	673,931
USAID	9,946,463	382,724	10,329,187	382,723
REGDAN	10,801,377	414,375	11,215,752	414,375
JRP	5,361,872	206,805	5,568,677	206,805
REEP	72,214,025	2,773,849	74,987,874	2,773,848
Local VDC/Community	77,935,782	2,901,182	79,070,863	2,403,242
<b>Total</b>	<b>202,659,432</b>	<b>7,681,350</b>	<b>208,574,681</b>	<b>7,183,408</b>

**Note no: 19**
**Provisions (current and non-current)**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	3,839,371	16,040,825	1,841,099	14,767,841
Provision for Performance Link Incentive	4,522,555	-	3,153,962	-
Provision for CSR	380,887	-	368,096	-
	<b>8,742,813</b>	<b>16,040,825</b>	<b>5,363,157</b>	<b>14,767,841</b>

**Note no: 20**
**Trade payables**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Sundry creditors	114,566,748	-	50,283,376	-
	<b>114,566,748</b>	<b>-</b>	<b>50,283,376</b>	<b>-</b>

**Note no: 21**
**Borrowings**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
<b>Measured at amortised cost</b>				
<b>Secured Borrowings from Banks</b>				
Term loan	130,989,152	1,960,336,242	130,989,152	1,482,701,551
Trust Receipt Loan	32,950,000	-	32,950,000	-
Overdraft	4,477,484	-	74,107,399	-
	<b>168,416,636</b>	<b>1,960,336,242</b>	<b>238,046,551</b>	<b>1,482,701,551</b>

## 1) DETAILS OF SECURITY

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 169.41 million (As at 32nd Ashadh, 2075 - NPR 237.17 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 75.46 million (As at 32nd Ashadh, 2075 - NPR 111.46 million) and overdraft facility aggregate to NPR 4.48 million (As at 31st Ashadh, 2075 - NPR 7.94 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rastriya Banijya Bank. 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 1709.37 million (As at 32nd Ashadh, 2075 - NPR 1079.31 million) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Himalayan Bank Limited, Sunrise Bank Limited and HIDC Limited.

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 158.50 million (As at 32nd Ashadh, 2075 - NPR 185.73 million) is obtained from NIC Asia 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. Overdraft facility aggregate to nil (As at 32nd Ashadh, 2075 - NPR 66.17 million ) is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on all current assets and fixed assets pertaining to Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

f. Trust Receipt Loan aggregate to NPR 32.95 million (As at 32nd Ashadh, 2075 - NPR 32.95 million) is obtained from Nepal Investment Bank Limited which is secured by way of hypothecation 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 2076	As at 32nd Ashadh 2075
2-3 Years	517,233,604	312,403,080
4-5 Years	247,183,580	329,848,574
6-10 Years	793,313,860	626,576,224
Beyond 10 years	424,014,404	243,034,959
	<b>1,981,745,448</b>	<b>1,511,862,837</b>

### Note no: 22

#### Other Financial Liabilities

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Advance From Shareholders (Cash)	-	-	7,500,000	-
Advance payable to JVs	52,040,185	-	53,243,220	-
Bonus Payable	32,130,629	-	23,418,944	-
Employee related accrual	33,665,975	-	20,700,891	-
Refundable Deposits of Parties	1,344,325	387,584	2,553,719	387,584
Retention money Payable	18,561,239	104,966,972	23,075,360	37,682,228
Royalty Payable	5,310,947	-	5,142,833	-
Other Payables	12,117,357	-	15,551,812	-
	<b>155,170,657</b>	<b>105,354,556</b>	<b>151,186,779</b>	<b>38,069,812</b>

**Note no: 23**

**Other liabilities (current and non-current)**

Particulars	As at 31st Ashadh 2076		As at 32nd Ashadh 2075	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,739	24,113,645	817,777	22,464,540
Dividend Payable	53,285,129	-	75,152,379	-
Gratuity Payable	59,907,164	-	60,032,084	-
Advance from Customers	346,717,923	-	342,560,211	1,492,873
Statutory dues	12,403,757	-	7,616,508	-
VAT Payable	13,658,173	-	11,945,918	-
Welfare Fund Clearing Account	910,987	-	3,121,159	-
	<b>487,803,872</b>	<b>24,113,645</b>	<b>501,246,036</b>	<b>23,957,413</b>

a) Gratuity payable is the net balance after deducting NPR 3,572,528 which is balance amount in Gratuity Fund maintained with Citizen Investment Trust (CIT).

**Note no: 24**

**Revenue**

Particulars	2075-76	2074-75
Electricity Sales to NEA	582,979,352	567,722,874
Electricity Sale to Consumers	187,203,230	177,401,613
Revenue during construction phase	1,189,177,506	628,838,294
Sale of services	213,521,507	434,609,123
<b>Total</b>	<b>2,172,881,595</b>	<b>1,808,571,904</b>

**Note no: 25**

**Cost of Sales**

Particulars	2075-76	2074-75
Cost of Consumed Materials, Supplies and Services	33,020,001	152,082,642
Electricity Purchase	20,316,178	30,730,302
Cost incurred during construction phase	1,189,177,506	628,838,294
Salaries and other employee cost	185,166,475	219,949,078
Mutually Agreed Retirement Scheme	29,731,048	-
Contribution to Provident and Gratuity Fund	17,961,842	20,334,636
Staff Bonus	20,700,974	18,225,723
Repair and Maintenance	44,945,297	88,319
Depreciation and amortization	94,299,919	104,207,091
Environment, Community & Mitigation (CSR)	16,242,471	10,770,510
Donation expenses	527,000	606,155
Vehicle running cost	1,004,354	5,596,213
Royalty	82,703,032	80,462,611
Insurance	10,279,581	10,677,446
Safety and Security	3,656,349	2,487,921
Legal and professional Expenses	2,929,779	-
Assets written off	1,120,741	323,914
Miscellaneous Expenses	24,489,995	26,617,385
<b>Total</b>	<b>1,778,272,542</b>	<b>1,311,998,240</b>

**Note no: 26****Administrative and other operating expenses**

Particulars	2075-76	2074-75
Salaries and other employee cost	71,438,276	104,629,745
Mutually Agreed Retirement Scheme	35,965,928	-
Contribution to Provident and Gratuity Fund	2,447,649	8,948,053
Staff Bonus - admin	11,665,718	9,385,452
Staff Welfare	5,539,973	3,597,259
Depreciation and amortization	29,668,203	31,694,294
House Rent	20,517	1,877,081
Vehicle Running Expenses	1,634,494	2,136,955
Printing and Stationery Expenses	4,831,846	4,607,617
Advertisement & Publicity	918,587	1,175,977
Support Staff Expenses	1,000,946	794,077
Gift & Donations	197,375	743,397
Assets Written off	102,175	58,669
Equity Investment written off	639,500	-
Environment, Community & Mitigation (CSR)	1,056,087	1,004,021
Rates and Taxes	1,284,080	1,814,802
Office Operation and Maintainance	6,435,074	11,319,708
Traveling Expenses & Allowance	2,312,955	6,060,122
Audit fee and expenses	2,546,364	2,422,868
AGM and Board Expenses	3,324,011	5,764,409
Legal and Profesional Fees	2,409,991	6,902,941
Hospitality and Refreshment	953,596	3,057,681
Communication expenses	3,079,798	4,305,789
Safety and Security	2,578,105	1,612,080
Training and Development	1,523,050	3,394,237
Insurance expenses	1,667,015	2,279,974
Repair and Maintenance - Admin	5,990,895	7,167,010
Bad debts	13,367,257	2,399,313
Previous Year Tax Expenses	-	2,002,582
Foreign exchange loss	10,218,701	-
Miscellaneous Expenses	6,058,680	15,295,031
Overhead Charged to Projects	(8,792,236)	(14,472,549)
<b>Total</b>	<b>222,084,610</b>	<b>231,978,595</b>

**Note no: 27**

**Other Income**

Particulars	2075-76	2074-75
Dividend income	556,587,033	492,487,474
Income from Other Sources	8,403,585	10,062,011
House Rent	7,263,462	7,382,588
Profit/(Loss) on Sale & Write Off Fixed Assets	6,571,083	5,538,546
Foreign exchange gain	-	3,285,992
Miscellaneous Income	7,129,010	3,750,881
Insurance Claim received on Loss of Assets	155,162	14,358,145
<b>Total</b>	<b>586,109,335</b>	<b>536,865,637</b>

**Note no: 28**

**Finance income**

Particulars	2075-76	2074-75
Interest income	157,197,471	96,988,822
<b>Total</b>	<b>157,197,471</b>	<b>96,988,822</b>

**Note no: 29**

**Finance Costs**

Particulars	2075-76	2074-75
Interest Expenses	53,267,041	88,384,247
Other finance cost	383,467	983,594
Bank Charges & Commission	304,045	547,890
<b>Total</b>	<b>53,954,553</b>	<b>89,915,731</b>

**Note no: 30**

EARNINGS PER SHARE	2075-76	2074-75
Profit attributable to equity holders of the parent company	755,292,680	723,190,626
Weighted average number of equity shares outstanding	24,405,554	21,548,854
<b>Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)</b>	<b>30.95</b>	<b>33.56</b>
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	24,405,554	21,548,854
<b>Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)</b>	<b>30.95</b>	<b>33.56</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2076

### Note no: 31

#### Financial Instruments: Classifications and fair value measurements

##### Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31st Ashadh 2076	As at 32nd Ashadh 2075		
Financial assets :				
Investment in equity instruments of Himal Power Limited	1,175,049,485	1,137,772,578	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	17,254,939	14,406,648	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	-	639,500	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	1,000,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values:-

As at 31st Ashadh 2076	Carrying value	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>Financial assets carried at Cost</b>				
Investment in Subsidiaries and Associates	1,507,857,284	-	-	-
<b>Financial Assets measured at FVTOCI</b>				
Investment in other equity instruments	1,198,632,424	-	-	1,198,632,424
<b>Financial assets carried at amortised cost</b>				
Trade receivables and other receivables	428,584,179	-	-	428,584,179
Cash and cash equivalents	613,976,869	-	-	613,976,869
Bank balance other than cash and cash equivalents	56,929,898	-	-	56,929,898
Other financial assets	699,464,520	-	-	699,464,520
<b>Total Financial Assets</b>	<b>4,505,445,174</b>	-	-	<b>2,997,587,890</b>
<b>Financial Liabilities</b>				
<b>Financial liabilities carried at amortised cost:</b>				
Borrowings	2,128,752,878	-	-	2,128,752,878
Trade payables	114,566,748	-	-	114,566,748
Other financial liabilities	260,525,213	-	-	260,525,213
<b>Total Financial Liabilities</b>	<b>2,503,844,839</b>	-	-	<b>2,503,844,839</b>

As at 32nd Ashadh 2075	Carrying value	Level 1	Level 2	Level 3
<b>Financial Assets</b>				
<b>Financial assets carried at Cost</b>				
Investment in Subsidiaries and Associates	773,703,942	-	-	-
<b>Financial Assets measured at FVTOCI</b>				
Investment in other equity instruments	1,153,818,726	-	-	1,153,818,726
<b>Financial assets carried at amortised cost</b>				
Trade receivables and other receivables	391,493,082	-	-	391,493,082
Cash and cash equivalents	684,913,740	-	-	684,913,740
Bank balance other than cash and cash equivalents	57,680,896	-	-	57,680,896
Other financial assets	1,998,277,287	-	-	1,998,277,287
<b>Total Financial Assets</b>	<b>5,059,887,673</b>	-	-	<b>4,286,183,731</b>
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	1,720,748,102	-	-	1,720,748,102
Trade payables	50,283,376	-	-	50,283,376
Other financial liabilities	189,256,591	-	-	189,256,591
<b>Total Financial Liabilities</b>	<b>1,960,288,069</b>	-	-	<b>1,960,288,069</b>

**Note no: 32**

**RELATED PARTY DISCLOSURES**

**(a) Relationship**

The Group is controlled by Shangri-La Energy Ltd which owns 56.27% 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. Sandip Kumar Dev	Director
vi) Mr. Sandip Shah	Director
vii) Mr. Dinesh Humagain	Director

viii) Mr.Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

The following provides expenses incurred for those charged with governance of BPCL.

Nature of Expense	Current year	Previous year
Meeting Allowances	620,000	800,000
Telephone, Mobile and Newspaper / Magazines	480,000	530,919

#### (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	9,585,894	5,656,104

#### (d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,383	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	71,535	32,635	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	109,949	-	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	1,757,195	1,651,378	69,201	3,092,562
Lamjung Electricity Development Company Limited	Payment for Development fees	4,485,248	2,085,000	236,198	236,189
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	Everest Bank Limited	As per requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA)	NPR	18,000,000	7/24/2020
4	Everest Bank Limited	As per the requirement for importing HM/EM equipments from Rasuwa Custom Office, Rasuwa	NPR	18,100,000	10/1/2019
5	Everest Bank Limited	As per the requirement for importing HM/EM equipments from Birgunj Custom Office, Birgunj	NPR	30,100,000	10/3/2019

6	Everest Bank Limited	As per the requirement for importing TL equipments from Birgunj Custom Office, Birgunj	NPR	400,000	6/25/2020
7	Everest Bank Limited	As per the requirement for application of EXIM Code from Department of Customs, Tripureshwar, Kathmandu	NPR	300,000	8/25/2020
8	Sanima Bank Ltd.	Advance Payment Guarantee for Nyadi Hydro-power Ltd.	NPR	2,478,357	3/28/2020
9	Nepal Investment Bank	Advance Payment Guarantee	NPR	224,073,679	Various Dates
10	Nepal Investment Bank	Advance Payment Guarantee	USD	46,909	Various Dates
11	Nepal Investment Bank	Bid Bond	NPR	59,964,000	Various Dates
12	Nepal Investment Bank	Performance Bond	NPR	90,808,788	Various Dates

#### B. Corporate Guarantee

S.no.	Party Name	Purpose	Currency	Amount	Expiry Date(A.D.)
1	Hydro consult/ITECO/TMS JV	Advance Payment Guarantee for detail engineering design of Sunsari Morang Irrigation Projects headworks, Department of Irrigation (Guarantee on behalf of JV)	NPR	1,848,420	12/4/2019
2	ITECO/TMS/Hydro consult JV	Advance Payment Guarantee for Irrigation Feasibility Study and Construction of Kaligandaki Tinau Diversion Project (Guarantee on behalf of JV)	NPR	1,616,000	9/28/2019

#### 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 during F/Y 2075/76	Total Cumulative Dividend (NPR)
		Up to F/Y 2074/75	F/Y 2075/76		
SCPHI	24,000,000	29,216,557	3,360,000	7,327,200	25,249,357
LEDCO	50,000	71,632	7,000	15,265	63,367
<b>Total</b>	<b>24,050,000</b>	<b>29,288,189</b>	<b>3,367,000</b>	<b>7,342,465</b>	<b>25,312,724</b>

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 14% (average consortium loan rate of 11.5% plus 2.5%).

The cumulative dividend upto the current financial year is NPR 25,312,724 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

#### D. INCOME TAX MATTERS

The group has considered additional 4.3 MW project in Anindhikola 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 applied for advance ruling for tax exemption status for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the group applies the existing rate applicable to original 5.1 MW project i.e. NPR 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 NPR 28.8 million considering the period since commencement date till Ashadh end 2076. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited."

The inland revenue department has opened self-assessment returns filed by the group's subsidiary company - HCEL for the financial years 2069-70 and demanded additional tax of NPR 2,609,717. The Company has contested the demands as not payable and filed application for administrative review. The Company has deposited amount of NPR 2,697,753 against the appeal with the department.

## **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.

### ***ii. 140-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 in process for obtaining PPA, NPR 185.32 million has been spent by the group as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR."

### ***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. Application along with updated report has been submitted to DOED for amendment of survey license for the capacity of 7.9 MW. NPR. 23.67 million has been spent by the group for this project as on reporting date."

### ***iv. 160 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 12.27 million has been spent by the group for this project as on reporting date."

### ***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 hydro-power 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 42.72 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 943 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 564.17 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 2,284 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. 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 25% and has further capital commitment of NPR 1.60 million under this contract.”

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

The Group had entered contract with M/S. Zhejiang Hydropower Construction and Installation Co. (P) Ltd. (ZHCIC) construction of Civil, HM and EM Work at the project. The total commitment under the contract stands NPR 2718.83 million as on the reporting date. The Group has also entered with M/S. Urja International (P) Ltd. for Construction of 132 KV Transmission Line works of the project with total commitment of NPR 86.45 million as on the reporting date.

**Note no: 34**

**Non-controlling interests**

Particulars	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Balance at beginning of year	267,470,181	251,942,189
Profit for the year	15,369,114	22,173,088
Other comprehensive income	-	-
Dividends to shareholders	(8,582,381)	(8,174,096)
Transfer to Retained Earnings	(155,049)	-
Issue of share in subsidiaries	4,425,700	1,529,000
<b>Balance at end of year</b>	<b>278,527,565</b>	<b>267,470,181</b>

**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 2076	As at 32nd Ashadh 2075	As at 31st Ashadh 2076	As at 32nd Ashadh 2075	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Nepal Hydro & Electric Limited	48.70%	48.70%	-	9,211,089	159,585,253	159,585,253
Hydro-Consult Engineering Limited	20.00%	20.00%	5,252,007	616,844	17,976,959	13,964,929
Khudi Hydropower Limited	40.00%	40.00%	10,418,695	12,430,079	82,013,502	78,936,852
Nyadi Hydropower Limited	1.81%	2.78%	(301,589)	(84,923)	18,952,216	14,983,154
			<b>15,369,113</b>	<b>22,173,089</b>	<b>278,527,931</b>	<b>267,470,188</b>

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 2076	As at 32nd Ashadh 2075
Non-current assets	203,681,357	203,681,357
Current assets	751,099,345	751,099,345
Non-Current Liabilities	3,414,235	3,414,235
Current Liabilities	540,913,573	540,913,573
Equity attributable to owners of the Company	210,565,600	186,244,647
Non-controlling interests	199,887,295	176,799,717
Revenue	-	309,794,805
Total Cost	-	262,386,273
<b>Profit for the year</b>	-	<b>47,408,531</b>
Profit attributable to owners of the Company	-	24,320,954
Profit attributable to the non-controlling interests	-	23,087,578
<b>Other comprehensive income for the year</b>	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
<b>Total comprehensive income for the year</b>	-	<b>47,408,531</b>
Total comprehensive income attributable to owners of the Company	-	24,320,954
Total comprehensive income attributable to the non-controlling interests	-	23,087,578

Hydro-Consult Engineering Limited	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Non-current assets	23,904,369	19,874,722
Current assets	150,178,131	120,574,102
Non-Current Liabilities	605,404	2,002,511
Current Liabilities	51,605,985	35,995,468
Equity attributable to owners of the Company	77,000,865	60,661,716
Non-controlling interests	19,250,085	15,165,326
Revenue	210,646,396	169,059,661
Total Cost	185,026,235	142,435,856
<b>Profit for the year</b>	<b>25,620,161</b>	<b>26,623,805</b>
Profit attributable to owners of the Company	20,496,157	21,299,073
Profit attributable to the non-controlling interests	5,124,004	5,324,732
<b>Other comprehensive income for the year</b>	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
<b>Total comprehensive income for the year</b>	<b>25,620,161</b>	<b>26,623,805</b>
Total comprehensive income attributable to owners of the Company	20,496,157	21,299,073
Total comprehensive income attributable to the non-controlling interests	5,124,004	5,324,732

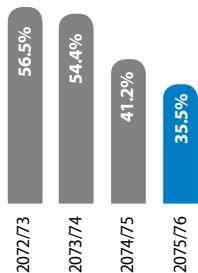
Khudi Hydropower Limited	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Non-current assets	342,438,504	354,991,544
Current assets	16,208,952	17,997,925
Non-Current Liabilities	71,681,420	100,660,426
Current Liabilities	81,994,394	68,184,183
Equity attributable to owners of the Company	107,531,125	105,869,371
Non-controlling interests	71,687,417	70,579,580
Revenue	96,149,577	90,625,195
Total Cost	70,396,476	62,929,285
<b>Profit for the year</b>	<b>25,753,101</b>	<b>27,695,910</b>
Profit attributable to owners of the Company	15,451,860	16,617,546
Profit attributable to the non-controlling interests	10,301,240	11,078,364
<b>Other comprehensive income for the year</b>	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
<b>Total comprehensive income for the year</b>	<b>25,753,101</b>	<b>27,695,910</b>
Total comprehensive income attributable to owners of the Company	15,451,860	16,617,546
Total comprehensive income attributable to the non-controlling interests	10,301,240	11,078,364

Nyadi Hydropower Limited	As at 31st Ashadh 2076	As at 32nd Ashadh 2075
Non-current assets	2,381,312,789	1,320,887,496
Current assets	523,732,809	341,822,628
Non-Current Liabilities	1,793,278,486	1,117,481,355
Current Liabilities	54,051,697	9,781,274
Equity attributable to owners of the Company	1,053,229,724	524,449,325
Non-controlling interests	19,449,985	14,996,597
Revenue	1,189,177,506	628,838,294
Total Cost	1,204,141,800	632,836,720
<b>Profit for the year</b>	<b>(14,964,295)</b>	<b>(3,998,426)</b>
Profit attributable to owners of the Company	(14,692,960)	(3,887,270)
Profit attributable to the non-controlling interests	(271,335)	(111,157)
<b>Other comprehensive income for the year</b>	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
<b>Total comprehensive income for the year</b>	<b>(14,964,295)</b>	<b>(3,998,426)</b>
Total comprehensive income attributable to owners of the Company	(14,692,960)	(3,887,270)
Total comprehensive income attributable to the non-controlling interests	(271,335)	(111,157)



# GROUP CONSOLIDATED FINANCIAL HIGHLIGHTS

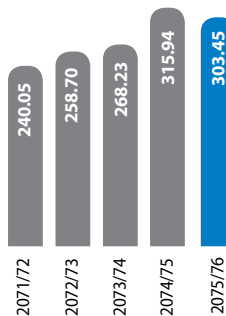
## NET PROFIT MARGIN



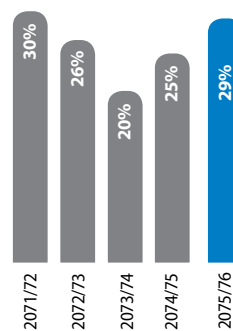
## EARNING PER SHARE (In NPR)



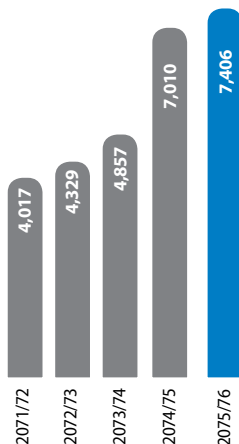
## Book Value Per Share (In NPR)



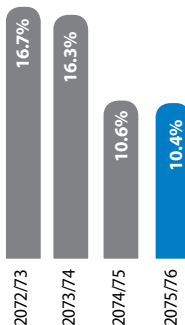
## DEBT TO EQUITY RATIO



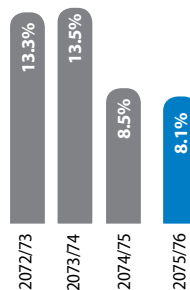
## NET WORTH (In NPR Million)



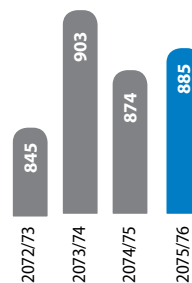
## Return on Equity



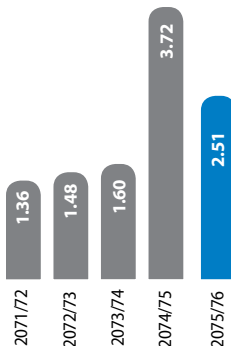
## RETURN ON CAPITAL EMPLOYED (ROCE)



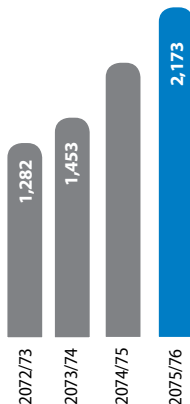
## EBITDA (In NPR Million)



## CURRENT RATIO



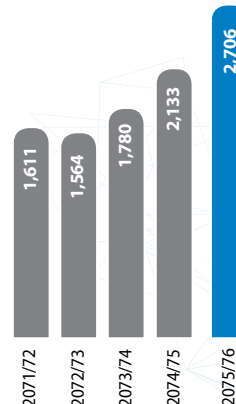
## Revenue (In NPR Million)



## NET PROFIT (In NPR Million)



## Investment (In NPR Million)



## STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

As on 31<sup>st</sup> Asadh 2076 (16th July 2019)

PARTICULARS	HCEL	Khudi	Nyadi	BPCSL	Kabeli	MMHCPL
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant and equipment	15,663,616	675,090	17,197,868	2,252,049	10,462,053	
Capital work in progress					-	91,149,688
Intangible assets	1,097,674	330,411,038	2,252,436,240		1,352,594,314	
Financial assets						
Investment in equity instruments		6,328,000				
Trade receivables	2,579,946	5,024,377				
Other financial assets	115,490	137,820			995,970	
Othr non-current assets	2,697,753		111,678,681		4,100,642	
Deferred tax	1,749,890					
<b>Total Non-Current Assets</b>	<b>23,904,369</b>	<b>342,576,325</b>	<b>2,381,312,789</b>	<b>2,252,049</b>	<b>1,368,152,979</b>	<b>91,149,688</b>
<b>Current assets</b>						
Inventories	-	3,398,053				
Financial assets						
Trade receivables	75,371,280	9,772,178		2,624		
Cash and cash equivalents	28,433,390	651,871	224,612,008	1,490,973	207,304,510	61,053
Bank balance other than cash and cash equivalents	5,002,998	-	2,981,080	13,500,000	531,882,800	
Other financial assets	30,186,986	360,940	1,170,059		117,828,143	2,250,000
Other current assets	7,890,766	1,750,089	294,969,661	4,059	113,440,417	
Current tax (net)	3,292,711	138,000		16,017		
<b>Total current assets</b>	<b>150,178,131</b>	<b>16,071,131</b>	<b>523,732,808</b>	<b>15,013,673</b>	<b>970,455,870</b>	<b>2,311,053</b>
<b>Total assets</b>	<b>174,082,500</b>	<b>358,647,456</b>	<b>2,905,045,597</b>	<b>17,265,722</b>	<b>2,338,608,849</b>	<b>93,460,741</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Equity share capital	14,723,100	84,000,000	1,095,000,000	10,000,000	1,085,014,947	88,596,000
Other equity	107,148,011	120,971,643	(37,284,586)	4,976,708	861,179	2,482,204
<b>Total Equity</b>	<b>121,871,111</b>	<b>204,971,643</b>	<b>1,057,715,414</b>	<b>14,976,708</b>	<b>1,085,876,126</b>	<b>91,078,204</b>
<b>Liabilities</b>						
<b>Non-Current Liabilities</b>						
Financial Liabilities						
Borrowings		39,263,551	1,687,552,396		1,074,547,465	
Other financial liabilities	-		104,966,972		-	
Provisions	605,404	710,370	759,118		1,489,219	
Deferred tax		31,707,498		196	-	-
<b>Total Non-Current Liabilities</b>	<b>605,404</b>	<b>71,681,419</b>	<b>1,793,278,486</b>	<b>196</b>	<b>1,076,036,684</b>	<b>-</b>

PARTICULARS	HCEL	Khudi	Nyadi	BPCSL	Kabeli	MMHCPL
<b>Current Liabilities</b>						
Financial liabilities						
Borrowings	-	40,477,484	-			
Trade payables	13,608,820	5,039,344	51,788,282		43,991,793	
Other financial liabilities	12,521,527	4,397,348	1,038,013	2,288,581	129,520,839	1,073,135
Provisions	6,901,925	-	-		544,622	
Other current liabilities	15,611,552	32,080,219	1,225,401	237	2,638,785	
Current tax (net)	2,962,160					1,309,402
<b>Total Current Liabilities</b>	<b>51,605,984</b>	<b>81,994,395</b>	<b>54,051,696</b>	<b>2,288,818</b>	<b>176,696,039</b>	<b>2,382,537</b>
<b>Total Liabilities</b>	<b>52,211,388</b>	<b>153,675,814</b>	<b>1,847,330,182</b>	<b>2,289,014</b>	<b>1,252,732,723</b>	<b>2,382,537</b>
<b>Total Equity and Liabilities</b>	<b>174,082,500</b>	<b>358,647,456</b>	<b>2,905,045,597</b>	<b>17,265,722</b>	<b>2,338,608,849</b>	<b>93,460,741</b>
Net worth per share	827.75	244.01	96.60	149.77	100.08	102.80

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF BPC SUBSIDIARIES

For the year ended 31<sup>st</sup> Asadh 2076 (16th July 2019)

PARTICULARS	HCEL	Khudi	Nyadi	BPCSL	KEL	MMHCPL
Revenue	210,646,396	96,149,577	1,189,177,506	30,000	197,656,355	
Cost of Sales	(138,282,837)	(48,045,903)	(1,189,177,506)	(232,534)	(197,656,355)	
<b>Gross profit</b>	<b>72,363,559</b>	<b>48,103,674</b>	<b>-</b>	<b>(202,534)</b>	<b>-</b>	<b>-</b>
Other income	3,171,144	6,750,764			8,934,306	15,000,000
Profit Transferred form JVs						
Administrative and other operating expenses	(41,814,044)	(8,986,600)	(14,964,295)	(152,280)	22,477,684	(11,208,394)
Finance Income	4,075,726	(12,238,287)		1,581,843		
Finance Costs	(88,525)			-	(15,361,976)	
<b>Profit Before Tax</b>	<b>37,707,860</b>	<b>33,629,551</b>	<b>(14,964,295)</b>	<b>1,227,029</b>	<b>16,050,014</b>	<b>3,791,606</b>
<b>Income Tax Expense</b>						
Current tax	(12,908,164)		-	(307,359)	0	(1,309,402)
Deferred tax credit/charge	820,465	(6,876,449)		66		
<b>Profit from continuing operations</b>	<b>25,620,161</b>	<b>26,753,102</b>	<b>(14,964,295)</b>	<b>919,736</b>	<b>16,050,014</b>	<b>2,482,204</b>
<b>Net Profit for the year</b>	<b>25,620,161</b>	<b>26,753,102</b>	<b>(14,964,295)</b>	<b>919,736</b>	<b>16,050,014</b>	<b>2,482,204</b>
<b>Earnings per equity share of Rs. 100 each</b>						
Basic Earnings per share - Rs.	174.01	31.85	(1.37)	9.20	1.48	2.80
Diluted Earnings per share - Rs.	174.01	31.85	(1.37)	9.20	1.48	2.80

# LIST OF ABBREVIATIONS

<b>ASAI</b>	Average Service Availability Index
<b>ASUI</b>	Average Service Unavailability Index
<b>BOOT</b>	Build, Own, Operate and Transfer
<b>CAIDI</b>	Customer Average Interruption Duration Index
<b>CAIFI</b>	Customer Average Interruption Frequency Index
<b>CKHP</b>	Chino Khola Hydropower Project
<b>CXIG</b>	Chengdu Xingcheng Investment Group Co. Ltd.
<b>DoI</b>	Department of Industry
<b>DoED</b>	Department of Electricity Development
<b>EMS</b>	Environment Management System
<b>EPS</b>	Earning Per Share FY Fiscal year (Shrawan to Ashad B.S.)
<b>GEL</b>	Gurans Energy Limited
<b>GON</b>	Government of Nepal
<b>HCE</b>	Hydro Consult Engineering Limited
<b>HPL</b>	Himal Power Limited IKN Interkraft AS. Norway
<b>IRD</b>	Inland Revenue Department
<b>ISO</b>	The International Organization for Standardization
<b>JDMP</b>	Jhimruk Downstream Mitigation Project
<b>KEL</b>	Kabeli Energy Limited
<b>KHL</b>	Khudi Hydropower Limited
<b>LMMP</b>	Lower Manang Marsyangdi HydroPower Project
<b>LTPO</b>	Large Tax Payers Office
<b>MKHP</b>	Mugu Karnali Hydropower Project
<b>MMHP</b>	Manang Marsyangdi Hydropower Project
<b>NHL</b>	Nyadi Hydro Power Limited
<b>NMFA</b>	Norwegian Ministry of Foreign Affairs
<b>MOE</b>	Ministry of Energy
<b>NEA</b>	Nepal Electricity Authority
<b>NHE</b>	Nepal Hydro and Electric Limited
<b>NORAD</b>	Norwegian Agency for Development Cooperation
<b>NPR/NRs</b>	Nepalese Rupees
<b>OHSAS</b>	Occupational Health Safety Management System
<b>PEEDA</b>	People, Energy and Environment Development Association
<b>PPA</b>	Power Purchase Agreement
<b>QMS</b>	Quality Management System
<b>QYEC</b>	Qing Yuan Engineering Consulting Co. Ltd.
<b>REEP</b>	Rural Electrification and Expansion Project
<b>SAIDI</b>	System Average Interruption Duration Index
<b>SAIFI</b>	System Average Interruption Frequency Index
<b>SCIG</b>	Sichuan Provincial Investment Group Co. Ltd
<b>SEBON</b>	Security Exchange Board of Nepal
<b>SEL</b>	Shangri-La Energy Limited
<b>UMHP</b>	Upper Marsyangdi-2 Hydropower Project
<b>UMN</b>	United Mission to Nepal
<b>WIP</b>	Work in Progress



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