



ANNUAL REPORT

2015





COMPANY PROFILE

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

BPC is engaged in operation & maintenance of power plants, consulting engineering of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electromechanical equipment for power plants through its subsidiary companies.

BPC owns and operates Andhikhola (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 developing two hydropower projects namely Nyadi and Kabeli A, with combined capacity of 68 MW through separate SPVs

BPC's another project namely Lower Manang Marsyangdi Hydropower Project (100 MW), located in southern region of Manang District, is in the preparatory phase.

BPC has ownership in Khimti
Hydropower Project (60 MW)
together with partners Statkraft
Norfund Power Invest AS (SN Power)
& Bergenshalvoens Kommunale
Kraftselskap (BKK). BPC also has
ownership with some other partners
in Hydro Lab which specializes
in hydraulic model study of
hydropower projects, sediment
analysis & efficiency measurements.

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



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VISION, MISSION **AND VALUES**

VISION

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

MISSION

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

VALUES

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

STRATEGIC GOALS OF THE COMPANY

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

- Continuous focus on a strong financial performance in terms of reasonable return on investment through maximizing the use of financial capabilities in terms of asset utilization, optimized resources utilization, risk management and the diversification of the Company's investment portfolio in other business areas.
- Expand the businesses mainly through the development and acquisition of power generation facilities in the sustainable green field of hydropower and in other renewable projects of mid and large-size for the domestic and cross-border markets, respectively.
- Improve the business operation or increase productivity through the prudent and dynamic

- management practices including timely organizational restructuring, well-defined processes and the latest technologies that creates favourable environment for teamwork to enhance core competency and institutional memory.
- Develop and strengthen workforce competency to ensure excellence in performance through identification and development of skills and knowledge necessary for the Company to succeed as a commercial enterprise, ensure right people in right roles and opportunity for career growth, instil customer-focused internal and external business relationship and manage and retain knowledge and expertise.
- Efficient and optimum use of environmental resources along with focus on improved occupational health and safety and continual improvement in the Quality and Environmental Management System.

INTEGRATED QUALITY, HEALTH, SAFETY AND ENVIRONMENT POLICY

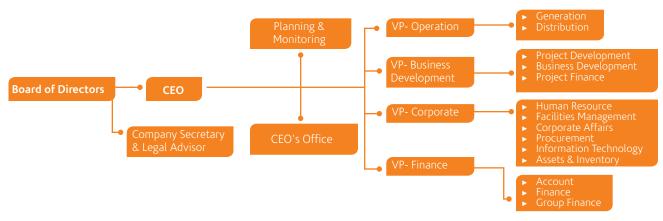
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally & socially responsible manner through:

- Continual improvement of Integrated Management System and Business Processes
- Identification of occupational health and safety hazards and minimizing potential risks to prevent injury and ill health.
- Conservation and optimization in use of key resources, minimizing impact on environment and prevention of pollution.
- Effective preparedness and resource

- deployment to ensure minimal impact from emergency situations.
- Compliance with the applicable legal and other requirements.
- Qualified and trained work force for effective implementation of QHSE management system.
- Effective communication of policy requirements with internal and external parties.
- Participation of business partners in implementation of QHSE management systems by making them aware of their obligations.
- Periodic review of the policy to ensure its relevancy and appropriateness to the company.

ORGANISATION **STRUCTURE**

BPC's business activities are spread across Generation, Distribution and Transmission. The company carries out generation and distribution activities directly. Project development activities are carried out directly and through Special Purpose Vehicles (SPVs). The engineering and O&M service businesses are carried out through subsidiaries. The functional organizational structure is in place viz. Operations, Business Development and Project, Finance and Corporate which are being monitored by Planning and Monitoring Unit under CEO. The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors. The CEO is assisted by various functional heads and the management team.

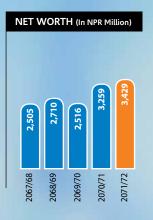


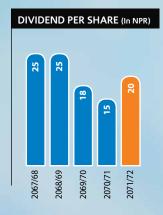
HIGHLIGHTS OF THE YEAR

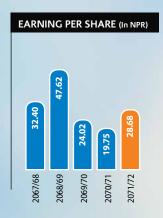
- Supplied electricity to 46,215 consumers in the country, i.e. 1.6% of total national consumers connected to INPS
- PPA for Andhikhola and Jhimruk Power
 Plants signed for 30 years.
- Commenced commercial operation of the upgraded 9.4 MW Andhikhola Plant
- PPA signed for the 30 MW Nyadi
 Hydropower Project
- Loan Agreement with IFC, Financing Agreement and Project Agreement with World Bank signed for Kabeli-A Hydroelectric Project
- PPA signed for the 37.6 MW Kabeli-A
 Hydroelectric Project
- National Best Presented Annual Report
 2014 awarded by ICAN

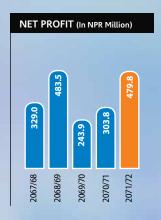
FINANCIAL HIGHLIGHTS



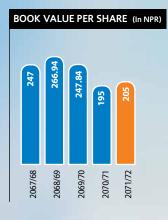


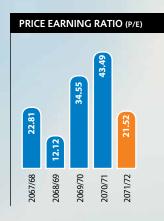




















BOARD OF DIRECTORS



 $From \ left \ to \ right \ standing:$

Mr. Hari Budhathoki, Company Secretary Mr. Uttar Kumar Shrestha, CEO

Mr. Bijaya Krishna Shrestha, Director Mr. Bijay Bahadur Shrestha, Alternate Director

Mr. Om Prakash Shrestha, Alternate Director Mr. Sanjib Rajbhandari, Alternate Director

Mr. Divakar Vaidya, Independent Director

From left to right sitting:
Mr. Chandi Prasad Shrestha, Director
Mr. Pradeep Kumar Shrestha, Director

Mr. Padma Jyoti, Chairman

Mr. Rajib Rajbhandari, Director Mr. Shyam Kishor Yadav, Director



Expediting the development of hydropower projects would go a long way in reducing our excessive dependence on import of petroleum products.



CHAIRMAN'SMESSAGE



This has been an eventful period for the country and its citizens. Our company BPC is no exception. The devastating earthquake, that struck our country earlier in the year, caused vast damage to human lives and assets. The extensive loss of lives and property, and the psychological effect it left on the entire population have had a detrimental effect on the economy, which we have yet to recover from. The shortage in production of energy compared to the needs has continued to afflict our country and constraint our economy.

Then the country had to face sudden economic blockade at the southern border points causing suffering to the daily lives of the Nepalese citizens and shutting down our economic activities. Unfortunately Nepal has had to face unforeseen events one after the other severely stretching our economy. However I believe that the resilience of Nepalese people and their solidarity in the wake of such crisis will prove its worth and our economy will gradually rebound.

This situation once again reinforces the importance of developing hydropower in Nepal on urgent footing. Expediting the development of hydropower projects would go a long way in reducing our excessive dependence on import of petroleum products. Had we been able to effectively execute at least a few projects timely, we would not have had to face the brunt of the fuel crisis and the consequent difficulties, be it for transportation, domestic or industrial use.

There have been some positives along the way too. The country finally has a new constitution through a democratic process after a long political journey. Though there have been protests following its promulgation, a majority of the issues can be resolved through active negotiations and necessary amendment. Hopefully, the new constitution will lead the way for a more stable political environment and implementation of innovative policies for an accelerated economic development.

The Power Trade Agreement with India and the Power Development Agreements for Upper Karnali and Arun III can be seen as positive steps towards the development of the energy sector. Considering the prevailing environment in the country, I am proud to say that BPC has performed generally well with significant increment in both operating revenue and net profit compared to the previous year. The upgrading of Andhikhola Plant, which was ongoing for much of last two years, has concluded and it is now fully operational at enhanced capacity of 9.4 MW. With the renewal of PPA for both Andhikhola and Jhimruk Plants for the next 30 years, along with additional sale from the Jhimruk Plant, BPC has secured a steady revenue source for coming years.

The company had to face a number of road blocks that have hindered the progress of projects under its umbrella, most notably the licensing issue of Kabeli A HEP. However, after long stagnation, we were able to achieve PPA and Financing Agreements for 37.6 MW Kabeli A HEP. Similarly, PPA has been concluded for the 30 MW Nyadi Project, with financial closure in advanced stages of negotiation.

I believe Team BPC has performed well by resolving some key issues and securing a stable revenue stream for the coming years. The company has also managed to reduce its operating and administrative costs, which is commendable considering the prevailing inflation in the economy. With the efficient operation of Jhimruk and upgraded Andhikhola Plant, and with Kabeli A and Nyadi projects on the brink of commencing full-fledged construction, I am confident of BPC's future prospects and sincerely believe that the company is heading in the right direction of operational excellence and growth.

Finally, I would like to thank our valued shareholders and all stakeholders for their continued support and look forward to always working together for the betterment of the company.

Padma Jyoti

Chairman

REPORT FROM **BOARD OF DIRECTORS**

Dear Shareholders,

The Board has pleasure in presenting the annual report of the Company for FY 2071-72 to the esteemed shareholders in this 23rd annual general meeting of shareholders.

Overview of Achievement

The company made significant progress in the FY 2071-72. Andhikhola Plant resumed its commercial operation at upgraded capacity of 9.4 MW. The Power Purchase Agreements (PPA) have been signed with Nepal Electricity Authority (NEA) for sale and purchase of energy generated from Jhimruk Plant, with increase in saleable energy from 55 GWh to 63 GWh, and from Andhikhola Plant, for the remaining license period of 30 years. The PPAs for 30 MW Nyadi Hydropower Project and 37.6 MW Kabeli-A Hydroelectric Project have also been signed. The financial closure of Nyadi Hydropower Project is in final stages of negotiations with the consortium of local banks. The Financing Agreement between GoN and World Bank, and Loan Agreement between IFC and Kabeli Energy Limited for 37.6 MW Kabeli-A Hydroelectric Project have been signed. Subsidiary Loan Agreement for on-lending of WB Fund between Hydropower Investment and Development Company Ltd (HIDCL) and KEL is under process. Long pending income tax disputes

for FY 2059-60 and 2060-61 have been resolved. Similarly, insurance claims for damage on Jhimruk property have also been settled. Jhimruk Plant achieved the highest generation by genearting 76.4 GWh, which was 70.7 GWh last year. BPC also succeeded to achieve the Best Presented Annual Report Award, 2014 from the Institute of Chartered Accountants of Nepal (ICAN). These achievements have strengthened the financial capacity of the Company for the years to come, and have also streamlined BPC's forward path of development in hydropower sector.

Performance Review

The Company posted a turnover of NPR 523.2 million during the fiscal year, registering an increase of 29.5% compared to previous fiscal year. The main reasons for the increase in operating income are the start of commercial operation of upgraded Andhikhola Plant from 22 Chaitra 2071 and increased energy sale

FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

PARTICULARS	FY 2071-72	FY 2070-71	% CHANGE
Income from the bulk sale of electricity	402.3	289.3	39.1
Income from the retail sale of electricity and services	120.8	114.8	5.2
Total operating income	523.2	404.1	29.5
Operating expenses	318.5	324.6	-1.9
Gross operating profit	204.6	79.5	157.4
Other income including dividend received	522.5	455.5	14.7
Administrative and other expenses	220.7	243.8	-9.5
Net profit	479.8	303.8	58.0
Earnings per share (in NPR)	28.68	19.75	45.2
Net worth	3,428	3,259	5.2

from Jhimruk Plant. Similarly, Dividend income has increased and insurance claim on damage of Jhimruk property also received this year. As a result, net profit for the fiscal year increased to NPR 479.8 million compared to the last year's figure of NPR 303.8 million. The financial highlights of the Company are briefly summarized below.

Operations

GENERATION BUSINESS

Andhikhola Plant generated 20.28 GWh in about three month period, since its commercial operation, with plant factor of 72.48%. Out of total available energy, 15.86 GWh (36.13 %) was sold to NEA and 27.67 GWh (63.01%) was supplied to BPC Distribution Business. Jhimruk Plant generated 76.43 GWh with a plant factor of 72.71 %, an increase of 8.10 % (5.67 GWh) over the last year. Out of total available energy, 67.82 GWh (87.06 %) was sold to NEA and 5.68 GWh (7.03%) was supplied to BPC Distribution. Excess energy of 2.61 GWh was also supplied to NEA free of cost.

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

DISTRIBUTION BUSINESS

This year, 27.30 GWh energy was sold to retail customers, which is an increase of 13% compared to previous year. Out of the total energy sold to retail customers, 23.68 GWh (86.73%) was sold to metered consumers, 0.554 GWh (2.03%) was sold to unmetered (cut-outs) consumers, and 3.068 GWh (11.23%) was sold to industrial consumers. There has been a slight increase in sale of energy to metered consumers and reduction in energy sale to cut-outs due to planned cutout conversion. The number of consumers getting electricity supply service from the Company at the end of FY 2071-72 stands

46,215, marking an increase of 3% compared to last year as a result of expansion of distribution network. A total of 1,273 domestic consumers and 76 industrial consumers were newly connected during the year.

Subsidiaries and Associates of the Company

Himal Power Limited (HPL) owns and operates the 60 MW Khimti Hydropower Projects, which began commercial operation on July 5, 2000. It registered a net profit after tax of NPR 2.93 billion in the FY 2071-72. BPC received NPR 429.4 million as dividend in FY 2071-72 from HPL. The net worth of HPL as on July 16, 2015 was NPR 4.28 billion.

Hydro-Consult Engineering Ltd. (HCE) is an engineering consulting company, specializing in hydropower, irrigation and infrastructure projects and also provides Environment & Social Impact Assessment Study services. It has been gradually expanding its services outside Nepal too. In F/Y 2071-72, the company posted revenue of NPR 87.9 million from engineering consultancy services with 8.1% increase compared to previous year. The net profit after tax is reported at NPR 12.3 million. The net worth of HCE as on July 16, 2015 was NPR 56.4. BPC received NPR 1.79 million dividend from HCE in FY 2071-072.

Nepal Hydro & Electric Ltd. (NHE), established in 1985, manufactures and refurbishes hydromechanical equipment and is the leader in repairs of electromechanical equipment in Nepal. The other

THE FINANCING
AGREEMENT BETWEEN
GON AND WORLD BANK,
AND LOAN AGREEMENT
BETWEEN IFC AND
KABELI ENERGY LIMITED
FOR 37.6 MW KABELI-A
HYDROELECTRIC PROJECT
HAVE BEEN SIGNED.



product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges. The company recorded a turnover of NPR 379.7 million and registered a net profit of NPR 4.44 million in the FY 2071-72. The net worth of NHE as on July 16, 2015 is NPR 225.5 million.

Khudi Hydropower Ltd. (KHL) owns and operates the 4MW hydropower plant, which began its commercial operation in FY 2063-64. KHL supplied 24.25 GWh to the national grid in the FY 2071-72. Total revenue of NPR 100.6 million has been generated during the fiscal year which is 4.35% increase over the previous year. It registered a net profit after tax of NPR 34.4 million in the FY 2071-72, which is an increase of 101.9% compared to previous year. The net worth of KHL as on July 16, 2015 is NPR 156.9 million which includes accumulated loss of NPR 8.7 million still to be recovered.

Hydro Lab Pvt. Ltd. (HLPL) was established in 1998 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratory at HLPL are equipped with state of the art facilities, and the company has accumulated extensive experiences in hydraulic river model studies including hydraulic structures and sediment analysis. HLPL's turnover was NPR 20.3 million in the FY 2071-72 and it recorded a net profit of NPR 4.3 million. The net worth of HLPL as on July 16, 2015 is NPR 79.6 million.

BPC Services Ltd. (BPCSL), a wholly owned subsidiary of BPC established in 2006, is pioneer in providing Operation and Maintenance Management services of power plant, distribution and transmission system in Nepal. BPCSL is also providing competent technical expertise to the companies involved in hydropower development. BPCSL's net profit was NPR 4.6 million in the FY 2071-72. The net worth of BPCSL as on July 16, 2015 stands at NPR 13.8 million.

Kabeli Energy Limited (KEL), is developing 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis as per the Project Development Agreement concluded with the Government of Nepal. The project will generate 205 GWh of saleable energy annually. BPC holds 54% shares in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

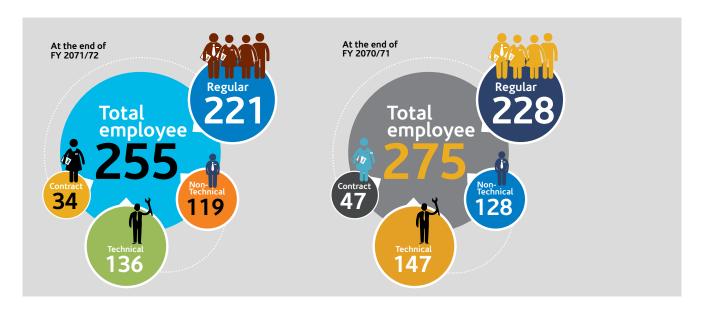
Financing Agreement between GoN and WB has been signed for availing loan to Kabeli A Hydroelectric Project and US\$ 40 million loan to be availed from WB will be channelized to Kabeli-A project through HIDCL. Kabeli Energy Limited (KEL) signed the Loan Agreement of US\$ 38.6 Million with International Finance Corporation (IFC) on July 15, 2014 in Kathmandu. The subsidiary loan agreements between GoN and HIDCL, and Kabeli Energy Limited and HIDCL are at final stage of signing to facilitate the disbursement of loan availed by WB to the project. PPA has been signed with NEA.

BPC has invested around US\$ 5 million in KEL for pre-construction works. The contract agreement for civil and hydro-mechanical works has been signed recently and the negotiation for electro-mechanical works is at final stage. The construction of the project will commence in the first quarter of 2016 and is expected to be commissioned by September 30, 2019. Capital work in progress of the project stands NPR 573.7 million at the end of fiscal year 2071-72.

Nyadi Hydropower Limited (NHL), a SPV of BPC as majority shareholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project. The project has received generation license for 35 years on 2069/11/03. The access road up to powerhouse site including bridge over Marsyangdi River has been constructed. Tender documents for Civil and Hydro-mechanical Works under EPC contract model have been floated recently. The tender documents for Electromechanical Works have been prepared and will be floated shortly.

The project will be financed by the consortium of local banks and loan facility agreement is under negotiation. The Power Purchase Agreement (PPA) has been signed with NEA. Capital work in progress of the project stands NPR 362.3 million at the end of fiscal year 2071-72. The construction of the project is expected to start by middle of 2016.

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



whereas BPC holds 40%. Gurans Energy Limited holds majority shares in Kabeli Energy Limited.

Management

PROJECTS

The construction of 9.4 MW Andhikhola Upgrading Project has been successfully completed, and the project has achieved its commercial operation on Chaitra 22, 2071. The power plant is operating at its full capacity.

Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) is located in the southern part of Manang district of the western development region. The feasibility study and the geotechnical investigation of the project have been completed. Detail design of the project is at advanced stage of completion. The hydraulic modeling has been carried out by Hydro Lab. EIA Study has also been approved by the Ministry of Environment on 2070/12/07. The application for Generation License of the project has been submitted to the Ministry of Energy through Department of Electricity Development.

The project capacity has been re-optimized at 40 percentile flow and fixed at 100 MW. BPC has already invested NPR 152.7 million in the project. The energy generated from this project will be evacuated through proposed 220 kV Marsyangdi corridor transmission line of NEA, which is under progress.

Chinokhola Small Hydropower Project is planned to be developed before LMMHEP in order to use its power for construction of Lower Manang Marsyangdi HEP. The survey license of this Project was obtained on March 03, 2015. Feasibility study, EIA and Detail design of the project are ongoing.

The Company's management is headed by CEO Mr. Uttar Kumar Shrestha. He has long experience in electric utility sector in Nepal.

The installed capacity of the project will be around 8.5 MW. After the completion of feasibility study,

the process for EIA study will start.

Human Resource

The number of employees stands, 232 male and 23 female totaling 255 employees at the end of the FY 2071-72, which is about 7% less than the previous year. Suitable trainings were imparted for capacity building and professional growth of the employees to meet the future requirement of the Company.

THE CONSTRUCTION OF 9.4 MW ANDHIKHOLA UPGRADING PROJECT HAS BEEN SUCCESSFULLY COMPLETED, AND THE PROJECT HAS ACHIEVED ITS COMMERCIAL OPERATION ON CHAITRA 22, 2071.

Butwal Power Company Limited



BOARD OF DIRECTORS

There were no changes in the Board Structure this year.

BOARD COMMITTEES

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

- Audit Committee has provided substantial input in the internal control and financial governance of the Company.
- Finance and Budget Committee helped the Board by scrutinizing and controlling the budgets of the Company and providing strategic directions in financial management of the company.
- Project Steering Committee closely and effectively monitored the progress of construction works of 9.4 MW Andhikhola Upgrading Project. After start of successful commercial operation of the project, the committee completed their responsibility on 17 August 2015.

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

Changes in Shareholding

In Group B of shareholders of the Company, there was only two shareholders viz. Shangri-La Energy Limited with majority stake and IKN Nepal AS

with minor stake. Recently, IKN Nepal AS has sold it major chunk of shares in BPC, and it is believed that this will have further help in strengthening and development of business of the Company. Now, the number of shareholders in Group B has increased to 9.

CORPORATE GOVERNANCE

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



Health, Safety and Environment (HSE)

BPC is certified with ISO 9001:2008 (Quality); ISO 14001:2004 (Environment) and ISO 18001:2007 (Occupational Health, Safety and Security management system, OHSAS) management systems. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. Regular health checkup of all employees are being carried out on periodic basis. 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. Safe working environment has been ensured, with all safety equipment in place. However, in an unfortunate road accident, one employee died and another one employee sustained major injury. The devastating earthquake that shook the entire nation affected the company as well. Fortunately, we did not have to face any major harm to the employees as well as the power plants. The company and its employees contributed NPR 4.0 million in the Prime Minister's Disaster Relief Fund to support the affected people by this devastating earthquake.

Industrial and Business Relations

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

Enterprise Risk Management

Enterprise Risk Management System has been implemented through identification, assessment, planning and mitigation of the risks across the company. The company regularly analyzed the risks through the matrix of high, medium and low risk measurement and adopted the appropriate risk mitigation strategy. To maintain the risks at a relatively low level, the risks are transferred, avoided, accepted and retained in the company depending upon the nature of risk and the company's risk appetite. Risk Management Committee has been monitoring the risks associated with the activities being carried out by the different business units across the Company. All assets of the Company, including human resource, are insured with a reliable insurance company. The company was able to receive all insurance claim lodged with the insurance company for property loss on Jhimruk fire incident and the compensation claim lodged with GoN for employee's personal property loss.





Internal Control and Accountability

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee are implemented effectively. M/s Kuber and Company, the Chartered Accountants, performed the internal audit of the Company in FY 2071-72.

Statutory Audit

M/s S.R. Pandey & Co., Chartered Accountants, audited the books and accounts of the Company for FY 2071-72 for the third year in row. The auditor has issued an unqualified report on financial statement of the Company.

Shareholders' Suggestions and Communication

The suggestions from shareholders are taken at the right earnest and implemented based on merit and business interest of the Company. All means of communication are being used by publication of quarterly reports, abridged reports, annual report, AGM minutes, which were uploaded in the web page of the company for information to the shareholders. The company encourages and welcomes suggestions from shareholders for continual improvement. The company also published notice for collection of uncollected dividend by shareholders as of end of FY 2070-71.

There is no case of share forfeiture and share buyback during the year.

Related Party Transactions

BPC conducts transactions with subsidiaries at arm's length, as per the best industry practices. All major transactions, which BPC undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2071-72.

Award and Recognitions

The Institute of Chartered Accountants of Nepal (ICAN) awarded BPC with "Best-Presented Annual Report Award, 2014" for excellence in the presentation of its annual report, 2014. This is the 8th time that BPC has received this award.



Dividend

The Board has proposed and recommended to the 23rd Annual General Meeting for distribution cash dividend of 20% of the paid up capital from the net profit of FY 2071-72.

Business Environment and Investment Climate

The overall business environment and investment climate is expected to be favorable for the coming year because of the promulgation of new constitution and improving political environment. Policy reform in hydropower sector is under consideration of the Government of Nepal, which is expected to be instrumental in the development of hydropower projects in Nepal. However, after the promulgation of the Constitution by the Constituent Assembly, an agitation has gripped the country in Tarai region together with blockade at Nepal India border. This has been continuing for over three months. Coming after the devastating earthquake, it has caused huge losses to the economy and has started to cause a humanitarian crisis for the Nepalese citizens, school children and the sick. It is hoped that through dialogue and peaceful means the situation will be resolved at the earliest.

The GoN Budget for the fiscal year 2072/73 has prioritized the investments in energy sector with the allocation of significant budget and programs. Government is committed to end load shedding in the country within coming three years with the campaign "Illuminated Nepal Prosperous Nepal". GoN will provide incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned within fiscal year 2079/80 (2022-23AD). In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned by 2080 BS and an additional 10 percent of such grant to those producers who generate and supply the generated electricity to national grid within FY 2074/75. The Nyadi and Kabeli A Hydroelectric Projects are planned to be completed on time to get such benefit. Lower Manang Marsyangdi HEP will also get such incentives if the PPA process could be expedited and construction could be started within 2017 AD

In order to resolve the problems related to land acquisition and forest land clearance in course

of construction of transmission lines, a High Powered Inter-Agency Coordination Committee is planned to be formed in close coordination of National Planning Commission. The construction of Cross-border transmission lines as well as Kaligandaki Corridor and Marsyangdi Corridor will be started with the investment of approximately Rs 40 billion from the coming fiscal year.

GoN's initiation on power sector restructuring including establishment of separate company for transmission and generation is expected to improve the overall power sector development. NEA has developed a guideline for PPA of the projects up to 100 MW. This guideline has made clarity with regards to the process and timeline to conclude PPA with NEA.

The Year Ahead

The upcoming year 2016 AD is going to be challenging with the start of construction works of the projects. The construction of Kabeli-A project will start in the first quarter of 2016 AD. The financial closure of Nyadi Project is expected by the end of 2015 AD and construction is planned to start from second quarter of 2016 AD. The Generation License of Lower Manang Marshyangdi Hydropower Project will be obtained and the process of PPA will be accelerated. The construction of head office building phase II will be completed.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of Foreign Affairs-Norway, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the FY 2071-72.

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

On behalf of the Board of directors

Padma Jyoti

Chairman
Date: 20 December 2015

CEOS'PERSPECTIVE

Nepal has been repeatedly rocked by unfortunate incidents, one after the other, during the past year. The devastating earthquake in Baisakh, followed up by the unrest in the terai region and consequent embargo on the Indian border points has adversely affected our fragile economy. I doubt there are any businesses which have remained unaffected by such adverse economic conditions.

Lucky enough to have escaped with only some minor damages from the earthquake, BPC has been able to operate both its plants through the crisis without significant interruptions. The upgraded Andhikhola Plant started commercial operation from 22nd Chaitra 2071 and has been operating at full capacity since then and has added value to the nation during the current fuel crisis. This has also provided a significant boost to the operating income of the company, with an increase of 29.5% compared to previous year. BPC has registered a net profit of NPR 479.8 million, an increase of 58.0% over previous year's earnings. Moreover, the conclusion of PPA for both Andhikhola and Jhimruk Plants for the remainder of their license period will guarantee a steady income for many years to come, and provide a strong foundation for further expansion of our business.

Jhimruk Plant was once again able to outdo its previous year's performance by recording the maximum generation of 76.4 GWh till date. The company's effort towards achieving operational efficiency can be reflected by reduction in both operating and administrative expenses by 5% and 13% respectively, while continuing to maintain the quality of our service at usual high standards.

The company was also able to make strides and achieve key milestones in the projects under its portfolio. We were able to secure Power Purchase Agreement for 30 MW Nyadi Project and the financial closure is in final stages of negotiation with a consortium of local banks. The Connection Agreement for 37.6 MW Kabeli Project was achieved, and was followed up by securing the PPA too. Financing Agreements with both the World Bank and IFC have been signed, with the pass-on subsidiary loan agreement with HIDCL (for the WB fund) in advanced stage of finalization. EPC contract for civil and hydromechanical works have also been signed with selected contractor for the Kabeli Project. We can

expect the Kabeli and Nyadi Projects to go into full-fledged construction from the first quarter and mid of 2016 respectively. BPC also received the survey license for Chino Khola, a project initiated with view to provide construction power to 100 MW Lower Manang Marsyangdi Project.

Some old accounts and issues unresolved over the past years were also settled during the year. Historical receivables from Khudi Hydropower Limited and BPC Services Limited were completely settled, a recovery equivalent to NPR 38.8 million. The company also received full compensation from GoN for the damage to properties of employees that occurred during the unfortunate loadshedding incident in Poush 2069. A long pending tax assessment court case, dating back to more than ten years, was also settled in favor of the company.

BPC's subsidiary companies too have continued to make progress. Khudi Hydopower Limited (KHL) generated 24.26 GWh, the maximum till date. The company registered a net profit of NPR 34.4 million, an increase of 101.9% over previous year. Hydroconsult Engineering Limited (HCE) has continued to build on its portfolio by being involved in projects, both inside as well as outside of Nepal. HCE registered a net profit of NPR 12.3 million, an increase of 6.6% compared to last year. Similarly, Nepal Hydro and Electric Limited (NHE) also improved its financial position compared to last year. NHE was able to register a net profit of NPR 4.44 million, an increase of 119.6%.

BPC has been built on a solid foundation of competent human resource and effective business practices. At all times, we look towards enhancing the capabilities of our employees and strengthening the existing management systems. Through periodic audits and analysis, the existing policies and practices are scrutinized and amended to match the needs of the changing







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 reporting in the continuing pursuit of our vision, mission and values.

Corporate Value Framework

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

Share Ownership Structure

The share ownership structure of the Company remained unchanged in F/Y 2071/072.

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

Note: Recently IKN Nepal AS has divested their major portion of shares of BPC which impact in the number of shareholders in Group B without changing the percent in the Group B. The updated share ownership structure will be mentioned in next year.

Board of Directors and Board Committees

BOARD OF DIRECTORS

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

RESPONSIBILITIES OF THE BOARD

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

The board has the following specific functions:

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

BOARD COMPOSITION

The Board of Directors of the Company is composed of eight Directors with representation of shareholders as follows:

NAME	POSITION	GROUP	REPRESENTING	SINCE
Mr. Padma Jyoti	Chairman	В	SEL	Jan 29, 2003
Mr. Pradeep Kumar Shrestha	Director	В	SEL	Jan 29, 2003
Mr. Rajib Rajbhandari	Director	В	SEL	Jun 8, 2014
Mr. Bijaya Krishna Shrestha	Director	В	SEL	Sep 8, 2011
Mr. Ratna Sansar Shrestha, FCA	Director	В	IKNN	Jan 29, 2003
Mr. Shyam Kishor Yadav	Director	Α	GoN	Sep 16, 2014
Mr. Chandi Prasad Shrestha	Director	C	Public Shareholders	Feb 23, 2014
Mr. Divakar Vaidya	Director	-	Independent	Feb 23, 2014
Mr. Bijay Bahadur Shrestha	Alt. Director	В	SEL	Jun 8, 2014
Mr. Om Prakash Shrestha	Alt. Director	В	SEL	Sep 8, 2011
Mr. Sanjib Rajbhandari	Alt. Director	В	SEL	Sep 8, 2011

Note:

- GoN nominated Mr. Shyam Kishor Yadav in place of Mr. Nabin Raj Singh from September 16, 2014.
- Mr. Ratna Sansar Shrestha stepped down on October 17, 2015 due to sale of major chunk of shares by IKNN.

BOARD MEETINGS

The Board had adopted an annual meeting calendar on Ashadh 15, 2071 for F/Y 2071/072. A total of twelve 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 60 days and the shortest was 7 days. The attendance for the Board meetings was as follows:

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	11	
Mr. Pradeep Kumar Shrestha	Director	10	
Mr. Bijaya Krishna Shrestha	Director	12	
Mr. Rajib Raj Bhandari	Director	11	From May 4, 2014
Mr. Ratna Sansar Shrestha, FCA	Director	12	
Mr. Nabin Raj Singh	Director	-	Till Sep. 15, 2014
Mr. Shyam Kishor Yadav	Director	11	Sep. 16, 2014
Mr. Chandi Prasad Shrestha	Director	11	
Mr. Divakar Vaidya	Director	11	
Mr. Bijay Bahadur Shrestha	Director	-	Alt. Director from May 4, 2014
Mr. Sanjib Raj Bhandari	Alt. Director	-	
Mr. Om Prakash Shrestha	Alt. Director	3	
Mr. Hari Bahadur Budhathoki	Company Secretary	12	

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

FEE AND ALLOWANCES OF DIRECTORS

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

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

Board Committees

AUDIT COMMITTEE

The Board has set up Audit Committee of three board members as under:

NAME	POSITION
Mr. Chandi Prasad Shrestha	Chairman
Mr. Pradeep Kumar Shrestha	Member
Mr. Divakar Vaidya	Member

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



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

The Audit Committee had three meetings in this fiscal year.

BUDGET & FINANCE COMMITTEE

The Board has set up Budget Committee and Finance Committee of three board members as under:

NAME	POSITION
Mr. Bijaya Krishna Shrestha	Convenor
Mr. Rajib Rajbhandari	Member
Mr. Om Prakash Shrestha	Member

VP-Finance acts as secretary of the Budget & Finance Committee. CEO, functional heads attends the meetings. The committee discussed and approved the budget and also for securing financing for BPC at most competitive terms and avail funds for BPC's financial needs. The function of the committee as approved by BM#274 is underlined below:

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

Seven meetings of Budget and Finance Committee were conducted during the year.

PROJECT STEERING COMMITTEE

TThe Project Steering Committee was set up on September 21, 2012 (Aswin 5, 2069) to monitor and provide necessary guidance and support in executing Andhikhola Upgrading Project within the budget and time schedule. This committee was restructured on June 8, 2014 (Jestha 25, 2071) along with validates the Committee till its Commercial Operation Date, comprising Mr. Om Prakash Shrestha as convener, Mr. Divakar Vaidya and Mr. Uttar Kumar Shrestha are as members of the Committee. Project Manager of Andhikhola Upgrading Project acted as secretary of the Project Steering Committee. The Project was successfully completed it's commercial operation date on April 5, 2015 (Chaitra 22, 2071). PSC continued its meeting till final closure of the project works i.e. August 17, 2015 for wrap up the contracts; handover the project to operation and complete the project works and then dissolved. The extended term of PSC had been approved by the Board.

The Project Steering Committee performed very well being responsible to the Board for delivery of Andhikhola Upgrading Project within Budget and schedule, adhering to the quality standards; monitored the progress of the project periodically; provided inputs on critical issues and executed the project successfully. The Project Steering Committee had 14 meetings in this fiscal year.

Relation's with Shareholders

The 22nd annual general meeting of shareholders was held on January 11 2015. A total of 148 shareholders representing 89.69% shares attended the general meeting and eight shareholders actively participated in the discussion. With appreciation for distributing cash dividend, the suggestions offered by the shareholders were mainly to further the operational excellence, disclosure of the progress achieved in the projects and subsidiaries, and expansion of the business of the company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analysed and implemented on merits in the business interest of the company. The company encourages and welcomes suggestions from shareholders.

Communication with Stakeholders

The shareholders were communicated of the notice of 22nd annual general meeting and annual report of the company through newspaper and book posts,



22nd Annual General Meeting of BPC.

which were uploaded in the website of the company for ready information to the shareholders. Further, the minutes of meeting of the general meeting were published in the newspaper for information to the stakeholders. The quarterly financial reports of the company were published in the newspaper for information to the stakeholders. The notice, report and other information communicated to the stakeholders through different means were uploaded in the web page of the company for their ready reference.

Share Registrar

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

Dividend Distribution

The 22nd Annual General Meeting had approved for distribution of 15% cash dividend from the net profit of F/Y 2070/071. The approval of the Ministry of Finance received via Ministry of Energy for distribution of dividend to the shareholders excluding UMN was received on Magh 19, 2071 pursuant to the Section 182 (2) of the Company Act, 2063; and accordingly, the distribution of dividend was started on Magh 26, 2071 for Group A and B shareholders. The Group C shareholders were notified in advance on Magh 29, 2071 through public notice published in Abhiyan newspaper requesting them to collect their dividend of the F/Y 2070/071. The shareholders, who have not collected their dividend of previous years, were also requested to collect their uncollected dividend through public notice. The dividend was distributed to the shareholders under Group A and Group B from head office of the Company and to the shareholders under Group C through Share Registrar, NMB Capital Limited.

Transparency and Disclosures

BPC believes in transparency of its business operations and makes disclosures as required.

The disclosures on related-party transactions, contingent liabilities and other relevant information are made in the notes to the financial statements.

Reporting to Regulators

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

Risk Management

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

The assets of the Company are adequately insured against operation risk (covering Fire and allied perils, Business Machine, Transit, Money, Fidelity and Burglary) and revenue risk (covering Loss of Profit and construction risk covering contractor's all risk,



erection all risk, third party liability including materials damages). The repair and maintenance of power plants and distribution lines are done timely as per the maintenance schedule. Good relations are maintained with the local people in the project vicinity.

the management team under the leadership of CEO. The management exhibited the improved performance during the FY 2071/72 with fulfillment of major tasks as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors.

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 professional auditors to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit Committee and are discussed with management for corrective and improvement measures. The statutory auditor examines the financial statements in line with the Nepal Accounting Standard, prevailing Act, Rules and Regulations and issues his report. According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon and the financial statements give proper account of assets and liabilities.

Management

The management is headed by Mr. Uttar Kumar Shrestha, the CEO, who was appointed by the Board on May 15, 2014. Business operations and management of the company has been managed by

Management Review and Responsibility

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

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

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

Shareholding of Board of Directors in BPC

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD IN PUBLIC CATEGORY (GROUP C)
1	Mr. Padma Jyoti	Chairman	None
2	Mr. Pradeep Kumar Shrestha	Director	None
3	Mr. Rajib Rajbhandari	Director	31387
4.	Mr. Bijaya Krishna Shrestha	Director	202
5	Mr. Ratna Sansar Shrestha, FCA	Director	None
6	Mr. Shyam Kishor Yadav	Director	None
7	Mr. Chandi Prasad Shrestha	Director	293
8	Mr. Divakar Vaidya	Director	None
9	Mr. Bijay Bahadur Shrestha	Alt. Director	7462
10	Mr. Om Prakash Shrestha	Alt. Director	None
11	Mr. Sanjib Rajbhandari	Alt. Director	None

BPC's representation in its Subsidiaries and Associate Companies

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

COMPANY	BPC SHARE- HOLDING 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	80%	Mr. Uttar Kumar Shrestha	Chairman
Limited		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
Jumdi Hydropower Pvt. Ltd.	1.61%	Mr. Radheshyam Shrestha	Director
Kabeli Energy Ltd.	26%	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. Uttar Kumar Shrestha	Director
		Mr. Radheshyam Shrestha	Alt. Director
Nepal Hydro & Electric Ltd.	51.3%	Mr. Om Prakash Shrestha	Chairman
		Mr. Uttar Kumar Shrestha	Director
Nyadi Hydropower Limited	97.2%	Mr. Ganesh Lal Shrestha	Chairman
		Mr. Padma Jyoti	Director
		Mr. Bijaya Krishna Shrestha	Director
		Mr. Uttar Kumar Shrestha	Alt. Director
Gurans Energy Limited	40%	Mr. Sanjib Rajbhandari	Chairman
		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 strategic business and functional units are headed by senior executives/managers. The names and designations of Sr. executives are as below.

Senior Executives

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

Brief Resume of the Board Members and Disclosures



Padma Jyoti, 69

CHAIRPERSON

- M.E. in Mechanical Engineering from IIT Kanpur, India and MBA from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 44 years of experience in industries and business operations
- Chairman, Jyoti Group of Companies
- Director, Sagarmatha Insurance Co. Ltd.
- Director, Shangri-La Energy Limited
- President, National Business Initiative



Pradeep Kumar Shrestha, 55 DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than 31 years of experience in industries and business operations
- Vice President, SAARC Chamber of Commerce & Industries
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd
- Managing Director, Panchakanaya Group of Industries
- · Chairman, Mai Valley Hydropower Pvt. Ltd.
- · Director, Shangri-La Energy Limited
- · Honorary Consul, the Republic of South Africa
- · Advisor, Federation of Nepalese Chamber of Commerce & Industry
- · Director, HAMS Hospital
- · Director, Scenic Housing
- Member, Academic Assembly- National Academy of Science & Technology



Rajib Rajbhandari, 58
DIRECTOR

- B. Com. (Honours) from Bombay University, India.
- More than 26 years of experience in industry, commerce and financial sectors.
- Proprietor, Mercantile Traders
- Director, Ace Development Bank Limited
- Director, Hits Nepal Pvt. Ltd.
- Director, Malpi International School
- Director, Mercantile Investment Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- · Director, MNepal Limited.
- · Director, Shangri-La Energy Limited.
- Director, Furniture Land Pvt. Ltd.
- Director, Index Furniture Nepal Pvt. Ltd.



Bijaya Krishna Shrestha, 67
DIRECTOR

- Electrical Engineer and MBA graduate from Southern Illinois University, USA.
- More than 35 years of experience in the banking, insurance, computer, and electronic sector
- · Chairman, Beltron Investment Pvt. Ltd.
- Director, NEVI Trade Links
- Director, Premier Insurance Limited
- Director, Shangri-La Energy Limited



Sanjib Rajbhandari, 56
ALTERNATE DIRECTOR

- Graduate from Mumbai University, India
- 27 years of experience in IT sector
- · Chairman, Mercantile Office Systems Pvt. Ltd
- Chairman, Mercantile Communications Pvt. Ltd
- · Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Chairman, Resonance Nepal Pvt. Ltd.
- Chairman, Silverlining Pvt. Ltd.
- Director, Hits Nepal Pvt Ltd.
- Chairman, MNepal Pvt Ltd.
- Director, Serving Minds Pvt Ltd.
- Chairman, Flexiterm Pvt Ltd.
- · Chairman, Titan Nepal Pvt Ltd.



Chandi Prasad Shrestha, 61
DIRECTOR

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



Divakar Vaidya, 64
INDEPENDENT DIRECTOR

- M.Sc. graduate in Electrical Engineering from Byelorussian Polytechnic Institute, Minsk (former USSR)
- More than 32 years of experience in power sector



Bijay Bahadur Shrestha, 60 ALTERNATE DIRECTOR

- MBA graduate from Delhi University, India.
- 30 years of experience in the export sector and more than 15 years of experience in the capital market, banking, financial and insurance sectors.

Director, Soaltee Hotel Ltd. Director, United Insurance Ltd



Om Prakash Shrestha, 56
ALTERNATE DIRECTOR

- Bachelor's in Civil Engineering from Punjab University, Chandigarh, India
- 28 years of experience in the field of construction management and trading
- Director, Arniko Nirman Co
- Director, Interworld Trading



Shyam Kishor Yadav, 46
DIRECTOR

- M.Sc. graduate in Hydropower Development from NTNU, Norway
- Under Secretary in the Ministry of Energy
- More than 20 years of experience in the power sector of Nepal
- Under Secretary at the Ministry of Energy, GoN.





MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

The overall business environment and investment climate is expected to be favorable for the coming year because of the new constitution in place and improved political environment. The new constitution will also provide peace and security to the developers and right of resources till the license period. New Water Resource Act promulgation within current fiscal year will further enhance the developers and investors in the hydropower sector.

The Fiscal Budget of GoN for the FY 2072-73 also has prioritized the investments in energy sector with the allocation of significant budget and programs. Government is committed to end load shedding in the country within coming three years with the campaign "Illuminated Nepal Prosperous Nepal". GoN will provide incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned till 2022-23. In addition, the projects will also be provided financial support of NPR 50 Lakhs per MW if commissioned by 2080 and an additional 10 percent of such grant to those producers who generate and connect the generated electricity to national grid within FY 2074-75. The commissioning dates of Nyadi and Kabeli A Hydroelectric Projects have been fixed in the PPA in such a way so that such exemptions and grants will be available to these projects. Lower Manang Marsyangdi HEP will also get such incentives if the PPA process could be expedited and construction could be started within 2017.

In order to resolve the problems related to land acquisition and forest area clearance in course of construction of transmission lines, a High Powered Inter-Agency Coordination Committee will be formed in coordination of National Planning Commission. The construction of Crossborder transmission lines including Kaligandaki Corridor and Marsyangdi Corridor will be started with the investment of approximately Rs 40 billion from the coming fiscal year.

PDA negotiation initiated by Investment Board in relation to Upper Karnali (900 MW), Arun III (900 MW), Tamakoshi III (650 MW) and Upper Marsyangdi II (600 MW) hydropower projects will be finalized and completed. Electricity tariff will be adjusted timely based on the cost of production and NEA will be restructured into generation, transmission and distribution companies within coming fiscal year. The entity responsible for transmission will be developed to a competent company for the power trading.

NEA has developed a guideline for PPA of up to 100 MW, which has eliminated the confusions regarding the PPA with NEA.

Financial Result

BPC concluded its year with net operating revenue of NPR 523.2 million which is 29.5% higher than previous year. The company's gross operating profit stands at NPR 204.6 million, an increment of 157.4% compared to previous year. The main reason for this increase is attributed to operation of Andhikhola Plant. The revenue from distribution business recorded an increment of 5.6% to NPR 114.6 million, income from generation business increased by 39.1% to NPR 402.3 million.

Operating expenses have decreased by 1.9% this year. The main reason for this decrement can be attributed to purchase of less energy from NEA once Andhikhola Plant resumed commercial operation from 22 Chaitra 2071.

BPC received NPR 429.4 million as dividend income from Himal Power Limited (Khimti-60 MW) compared to NPR 393.6 million in previous year. This increase in dividend income has resulted positive impact in the overall profitability of the company. The net income for the year stands at NPR 479.8 million compared NPR 303.8 million of previous year, an increment of 58%.

Total assets of BPC have increased by 90.8% at the year end, compared to previous year. The cost of Andhikhola Upgrading Project worth NPR 1390 million is capitalized. The net worth of the Company stands at NPR 3429 million, an increase of 5.2% compared to last year. Total non-current assets worth NPR 285.2 million were added during the year. Investment in shares (unlisted companies) increased by 23.71%.

CONSOLIDATED FINANCIAL RESULT

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

FINANCIAL CONDITION AND LIQUIDITY

In FY 2071-72, Return on Capital Employed (ROCE) was 11.12% against 7.12% in FY 2070-71. Cash dividend amounting to NPR 334.64 million has been proposed to the shareholders for FY 2071-72. The current ratio for the year stands at 1.31, which is within the acceptable standard.

NET CAPITAL INVESTMENT

Gross Capital investment was NPR 1,088 million in FY 2071-72 as compared to NPR 880 million in FY 2070-71. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW) and Kabeli project (37.6 MW).

MARKET CAPITALIZATION

Throughout the period, Nepal's Securities Market reflects the regular ups and downs with maximum index vales of 1,083.55 points on July/August 2014. The year-end NEPSE index remained at 9,61.23 points, 7.23% lower than that of previous year. The index reached a maximum value of 1,083.55 points whereas the minimum value was 837.83 points.

Hydropower sub-indices decreased by 26.42% and closed at 2,246.11 points compared to previous fiscal year, which stood at 3,052.49 points.

The transaction volume on NEPSE witnessed decreasing growth and summed up to NPR 5,845.12 million which was NPR 15,211.37 million in FY 2070-71 which was a diminution of

61.57% on transaction volume in comparison to FY 2070-71. Market Capitalization decreased to NPR 900,686.23 million from NPR 1,049,426.98 million of previous year-end (Mid July-2014) figure, i.e. a decrement of 14.17%.

During the year, 635,510 shares of BPC were traded at an average price of NPR 644.52 (High-NPR 918, Low-NPR 540, and Close-NPR 617). Key figures from securities market for the year are given below:

PARTICULAR	AMOUNT (MILLION NPR)
Total Market Capital (TMC)	900,686.23
Hydro Power (HP)	69,211.83 (7.68%)
Butwal Power Company	10,440.56 (15.08% of HP & 1.16% of TMC)

Contribution towards National Economy

Despite of immense hydropower generation potential, the generation in our country is currently limited to only about 738 MW, less than 2.0% of its feasible potential. In this context, BPC has been operating its two power plants with average of about 73% plant factor and contributing about 1.9% of total available energy, and 2.9% of total domestic hydro energy generation in the country. The company commands about 8.4% of the total IPPs' generation capacity. It has been continuously supplying reliable electricity to its customers as well as the national grid. Nepal, at present, has been facing about 12-14 hours of load-shedding during dry season. It shows that there is huge opportunity for the expansion of business in this sector.

The total nos. of consumers electrified by BPC till the end of FY 2071-72 is 46215, which is about 1.6% of total electricity consumers connected to the national grid in the country.

Generation Business

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

With a combined generation capacity of 21.4 MW, the generation facilities at Andhikhola and Jhimruk contributed about 3% to the total hydro energy generated in the Integrated Nepal

MANAGEMENT DISCUSSION AND ANALYSIS

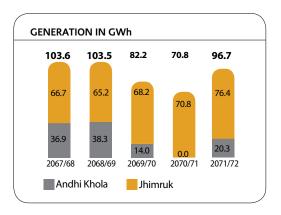
Power System. Apart from the wholly owned and operated plants at Andhikhola and Jhimruk, BPC also holds an additional 12.5 equity MW of generation capacity under its portfolio from Khudi and Khimti hydropower plants which are partially owned by the company.

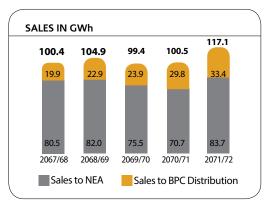
During the FY 2071-72, total generation stood at 96.71 GWh, an increase of 36.7% compared to previous year. Andhikhola Power Plant that was under shutdown since 6th Mangsir 2069 for Upgrading to 9.4 MW was successfully commissioned in Chaitra 2071. It began commercial operation from 22nd Chaitra 2071. The generated energy was supplied to NEA as per the Power Purchase Agreement and as well as to the retail consumers through the Distribution business unit. Further, 25.1 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during shut-down of Andhikhola Plant and other plant outages. Of the total energy available, 70.84% was supplied to NEA, 27.38% was utilized to cater the local consumer demand, and selfconsumption and system losses accounted for the rest. Total supply to NEA was 86.3 GWh and the Distribution business unit consumed 33.4 GWh.

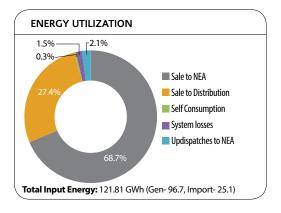
Andhikhola plant generated a total of 20.28 GWh with a plant factor of 72.48%, while also importing 23.64 GWh from NEA to maintain continuity of supply in distribution areas and for construction and self-consumption purposes during the shut-down. Out of total available energy, 15.86 GWh (36.13 %) was supplied to NEA and 27.67 GWh (63.01%) was sold to BPC Distribution.

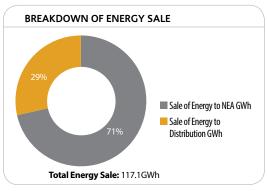
Jhimruk plant generated 76.43 GWh with a plant factor of 72.71 %, an increase of 8.10 % (5.67 GWh) over the last year. Out of total available energy, 67.82 GWh (87.06 %) was supplied to NEA and 5.68 GWh (7.03%) was sold to BPC Distribution. An excess energy of 2.61 GWh, which was not dispatched by NEA, was supplied free of cost.

The high silt content in Jhimruk River water during monsoon season continued to be the major factor for severe erosion of turbine parts resulting in reduced generation in that period.









Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works to protect the project area and farmers' land was carried out.

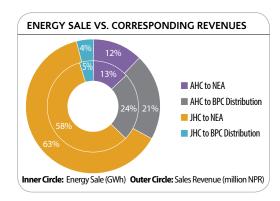
It is planned to generate 72.93 GWh energy from Jhimruk Plant assuming NEA will take the additional energy throughout the year, and 75.44 GWh from Andhikhola Plant. Additionally, NEA is also being pursued for excess energy off take. The generation plan is based on average river discharge of both plants 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 of new plant. The major maintenance of Jhimruk Plant has been planned from Jestha to Bhadra, so that the efficiency of the turbine can be gained for rest of the period in that year in order to maximize the generation.

Distribution Business

The Distribution Business unit purchased a total of 33.4 GWh to supply to retail consumers, which is about 12% more compared to previous year. 27.3 GWh energy, about 13% more compared to last year, was sold to the customers and 0.07 GWh was consumed in the staff quarters and distribution offices. The T&D losses stood at 18.03% of the total purchase, which is marginally less compared to previous year.

Out of 27.3 GWh sold to retail customers, 23.68 GWh (86.73%) was sold to metered consumers, 0.554 GWh (2.03%) to unmetered consumers, and 3.068 GWh (11.23%) to industrial consumers¹. Compared to last year's energy consumption pattern, there has been a slight increase in sale of energy to metered consumers and reduction in energy sale to cutouts due to planned cutout conversion.



Category	Energy S	ale (GWh)	Sale (%)		
	2070/71 2071/72		2070/71	2071/72	
Cutout	0.68	0.554	2.8	2.03	
Meter	20.71	23.68	86.0	86.73	
Industry	2.71	3.068	11.2	11.23	
Total	24.10	27.30	100	100	

Total revenue (billed amount) in this year was 119.77 million rupees, an increase of 11% compared to last year. Out of which 17.60 million rupees (14.69%) was from industry, 100.73 million rupees (84.1%) from metered consumers, and 1.44 million rupees (1.2%) from unmetered consumers. Though the energy sale has increased by 13% revenue generation has not been up to the same level. Although, the growth of sale and revenue for EDC Darimchour is proportionate, for EDC Galyang energy sales has increased by 14% compared to last year whereas revenue has only been increased by 11%. The primary reason for such un-proportionate growth of energy sale and revenue is the tariff structure at EDC Galyang. The structure allows high consumption of energy for low electricity rates. Looking at the past five years' historical data, it can be observed that the sales revenue has steadily increased at a CAGR of 12.3%.

The total energy loss this year was 6.02 GWh, almost 18.03% of the total purchase whereas the loss last year was only 18.94%. The slight decrease in loss of the system as compared to last year is mainly due connection at operation of Andhikhola Plant and planned network renovation. However, the networks designed over the period of 20 years are in need of augmentation. Hence, unless substantial investment is done for upgrading the network, reducing loss would be a challenge.

Butwal Power Company Limited

MANAGEMENT DISCUSSION **AND ANALYSIS**

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

By the end of the FY 2070-71, total of 46,215 customers have been electrified in the four districts marking an increase of 3% compared to previous year. A total of 1,273 domestic consumers and 76 industrial consumers were newly connected. As a part of our continuous effort to reduce revenue loss, a total of 299 cut-out consumers were converted into metered category.

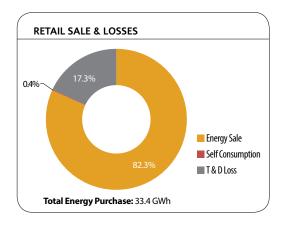
Necessary system expansion for consumer addition was made possible through installation of four new transformers of 11 kV & 33 kV increasing the installed capacity from 10,140 kVA to 10,940 kVA. Additional 6.55 km (ckt-km) 33 kV network and 111.85 km (ckt-km) low voltage line was also constructed this year.

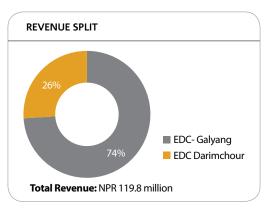
Distribution Business is committed towards its customers for delivering quality service. Hence, feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. This year, the average response time per complaint was within the time period specified in the citizen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

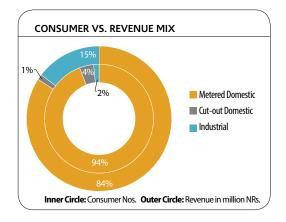
The total User Organizations (UO) at the end of FY 2071-72 stands at 117.

As a part of system expansion, 2,994 new domestic consumers & 47 industrial consumers are planned for addition in the following year (FY 72/73) by construction of 45 Km 33 kV, 3 Km 11 kV line and 263.5 km of low voltage line and addition of 19 nos. of 11kV & 33 kV transformers. Total number of UOs is targeted to keep 117 nos in the FY 2072/73 in the company.

Further distribution also plans to initiate demand side management (DSM) in order to lower the existing consumption pattern of retail customers. Proposed initiative includes distribution of Light







Emitting Diode (LED) bulbs to customer free of cost. Further, various awareness programs and printed flyer distribution are also planned for information dissemination.

In the coming year, BPC also plans to install energy meters in distribution transformers of two feeders for loss monitoring.

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

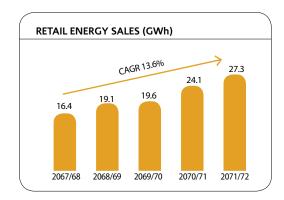
Project Development

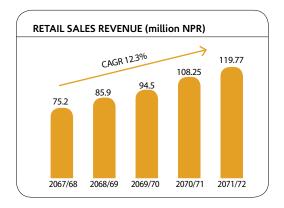
Andhikhola Project, fully owned and operated by BPC for last 25 years has undergone capacity upgrading from 5.1 MW to 9.4 MW. After successful testing and commissioning, the upgraded plant has started commercial operation from 22nd Chaitra, 2071. With the operation of the plant, additional 26 GWh of energy has been added to the national grid annually. As per the Power Purchase Agreement the project had Required Commercial Operation Date (RCOD) fixed on Chaitra 2, 2068. However, because of certain unavoidable circumstances, the project construction had been delayed and some cost overrun has occurred. After settlements of claims and bills with the contractors and suppliers, the project team has handed over plant to the Operation Department of BPC. Now, the plant is in operation at its full capacity.

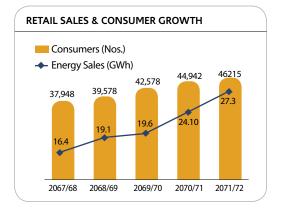
As the price fixing of energy from 5.1 MW was to be decided prior to the Ashad end 2070 as per the provision of PPA, the price has been negotiated and agreed with NEA and the PPA is now in full force for 9.4 MW.

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

Kabeli-A Hydroelectric Project (KAHEP) is a Peaking Run-Of-River (PROR) type project with a peaking reservoir constructed by damming Kabeli River at headworks. The water from the reservoir will be diverted through a 4 km long tunnel into a Power House located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132kV Kabeli Corridor transmission line from the switchyard located at Power house of the project. The 132 kV Kabeli Corridor transmission line is separately funded by the World Bank and is being implemented by NEA. The project is expected to have significant development impacts and will help relieve the







dire electricity shortage through providing clean power to the eastern part of Nepal.

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

The total capitalized cost of the project will be US\$ 100 million. Majority of equity will be hold by Butwal Power Company Ltd. BPC will

MANAGEMENT DISCUSSION AND ANALYSIS



PPA signing of 30 MW Nyadi Hydropower Project

have 55.6% ownership in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

In the debt part, US\$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB has already been signed and US\$ 40 million loan available from WB will be channelized to Kabeli-A project through HIDCL. Kabeli Energy Limited (KEL), a subsidiary of Butwal Power Company (BPC), signed the Loan Agreement of US\$ 38.6 million with International Finance Corporation (IFC) on July 15 2014 in Kathmandu. A subsidiary loan agreement between GoN and HIDCL and Kabeli Energy Limited and HIDCL is to be signed to disburse the IDA loan to the project.

Though there was a considerable delay for processing our application for Connection Agreement, it was finally signed on June 18 2015. Power Purchase Agreement has also been signed for the project. Majority of private land acquisition for Kabeli-A has been completed. Process is ongoing for leasing government land and forest clearance.

Bunker construction for explosive storage has been completed at Phidim NA Barrack. BPC has already invested around US\$ 5 million in KEL. The Civil and hydromechanical contract are clubbed together and packaged. The contract for the civil/hydromechanical package has already been awarded to the selected contractor and negotiations are ongoing for finalizing the supplier for electromechanical equipment. The construction of the project will commence in the

first quarter of 2016 and the project is expected to be commissioned by September 2019.

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

The project has received generation license for 35 years on 2069/11/03. The motorable track up to powerhouse site and bridge over Marsyangdi river have already been constructed by the project and are under operation. Prequalification of Civil, Electromechanical and Hydromechanical contractors/suppliers was completed. However, the project has worked out the contracting model for Engineering, Procurement and Construction (EPC) so that the project can be cost competitive and easy to handle interfacing problems. The process for selection of EPC contractors is under process. The tender documents for EPC contracts have been prepared.

The project will be financed by Nepali Banks for which a consortium of banks has been formed. Everest Bank Limited will be the lead bank of the Consortium banks. The negotiation with the consortium banks is ongoing for finalization of term sheet. Once the terms sheet is finalized and agreed, loan facility agreement will be signed.

The Power Purchase Agreement (PPA) with NEA has been concluded on 2072/02/12 after the guidelines on PPA for the projects bigger than 25 MW was approved by NEA Board.

The total cost of the project including financing costs and IDC is estimated to be about US\$ 57 million. BPC has already invested US\$ 4 million in the project.

Lower Manang Marsyangdi Hydropower Project (LMMHP), is located in the southern part of Manang district of the western development region. The project lies along under construction Beshisahar- Chame road. Track opening of this road has been completed and the motorable track now is operational.

Feasibility study and the geotechnical investigation of the project have been completed. The feasibility, EIA and designs have been reviewed by international consultants. Detail design of the project is at advanced stage of completion. The hydraulic modeling has been carried out by Hydro Lab. EIA Study has also been approved from the Ministry of Environment on 2070/12/07. The application for Generation License of the project has been submitted to the Ministry of Energy through Department of Electricity Development.

The power generated from the project will be evacuated via the proposed Marsyangdi Corridor 220 kV transmission line to be developed by the NEA. This transmission line is planned to be funded by ADB.

The project capacity has been re-optimized at 40 percentile flow and fixed at 100 MW to meet the NEA guideline for the PPA. Accordingly, an application for PPA together with the required documents has been submitted to NEA on 2070/09/12. The PPA process has not been initiated yet. BPC has already invested about US\$ 1.6 million in the project. The project was optimized at higher capacity with a view to sell energy to cross border market. However, because of the uncertainty of timely completion of construction of cross border transmission lines and power purchase agreements with the Indian Buyers, the capacity of the project has been fixed at 100 MW to conclude PPA with NEA as the guidelines are available for PPA.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from this project. The loan agreement with European



Power house area of Lower Manang Marsyangdi HP.

Investment Bank has been concluded by NEA for this part of transmission line and tendering process is ongoing. The EIA study is required for this project as it is located in the Annapurna Conservation Area.

The license for **Chinokhola Small Hydropower Project** was awarded to BPC by DoED/MoE on
March 3, 2015. A consulting agreement with HCEL
has been signed for feasibility study, EIA and Detail
design of Chino Khola SHP. The installed capacity
of the project will be around 8 MW. The project
will be developed before LMMHEP in order to
use its power for construction of Lower Manang
Marsyangdi HEP. After the completion feasibility
study, the process for EIA study will start.







Energy meter testing bench at Butwal Office.

Long Service Award presented at BPC Anniversary Program.

Corporate Function Activities INTEGRATED MANAGEMENT SYSTEM

BPC is certified with ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) through the Certification Body, DNV (Det Norske Veritas). BPC is the only hydropower company in Nepal that is certified with all these three Management Systems. Also, it was necessary to integrate all three management systems for its effective implementation and though a series of external audits, we were successfully certified with the Integrated Management System on 21st May, 2014.

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

MANAGEMENT REVIEW

Management Review Meetings are held twice a year as scheduled programs. However, it is also held in between when some important issues

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

HUMAN RESOURCE

BPC's total human resource at the end of the fiscal year was 255. The competency of its human resource makes a strong foundation for any organization to grow on. The management of BPC gives special effort and takes action for continuous skill and competency enhancement of its employees. Also, BPC believes in and practices management through participation. Employees' suggestions and grievances are handled to ensure a smooth operation throughout the organization. This also helps in maintaining and improving the industrial relations within the Company.

Human Capital on the end of FY 2071-72

Total No. of employee	Regular	Contract	Technical	Non-Technical
255	221	34	136	119

26 different events, including trainings, workshops and seminars, were organized and participated in during FY 2071-72. These accounted for a total of 2446 training hours and 65 participants.

RISK MANAGEMENT

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

A Risk Management Committee has been constituted comprising all VPs and SBU Heads under the chair of CEO. The committee coordinates risk management activities for effective risk management in the Company.

PROJECT DEVELOPMENT RISK

At present, BPC has been developing a number of hydropower projects simultaneously and has been experiencing challenges and risks in executing these projects. Some of the project challenges and problems are local people demand/interruptions, slow work of consultants/contractors, rework

due to low quality delivery, blockage of roads due to landslides, delay in financial closure, delay in approvals, unavailability of quality technical personnel and contractors/suppliers, insufficient specific service providers, insufficient international standard Engineering/Environment study consultants, import of most of materials/equipment from third countries thus causing delay and breakage in delivery, unnecessary custom / duty clearances etc.

All probable development risks have been analysed and risk assessment scorecard has been developed to keep

a track of them and ensure timely action for mitigation of such risks. Some of risks have been incorporated within

CSR activities as well. BPC have been urging the concerned authorities and persons to cooperate to mitigate or manage the risks which are not in control of BPC management.

GENERATION RISK

Upgrading of the Andhikhola power plant to 9.4 MW has been completed. The plant has been running successfully on its capacity. Operating the new equipment and its accessories, made in China, is a major challenge in the plant. Also, operating the plant from the surface in which the machines are housed 250 m below where there is every chance of signal loss in the control cables is a big challenge. Training has been provided to the concerned staffs to operate the plant.

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

DISTRIBUTION RISK

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 3% and energy purchase by 12% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also pouring in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it has been already initiated to revise the existing distribution tariff.

FINANCIAL RISK

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

Price Risk: For purchase of goods, it is limited to the foreign currency exchange variation in case of specific spares 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.

OTHER RISKS

The company faces a number of other risks while carrying out its activities at the corporate level. Some of the these risks, mostly internal in nature, that are regularly encountered during office management are a) Difficulty in implementing new policies and plans in the company b) Disturbances – strikes and agitation c) High employees turnover d) Inter-departmental conflicts e) Data loss in the server f) Unavailability of materials in store g) Inadequate coverage of assets for insurance purpose, etc. All these risks have also been analysed and suitable measures are in place to mitigate them.

MANAGEMENT TEAM



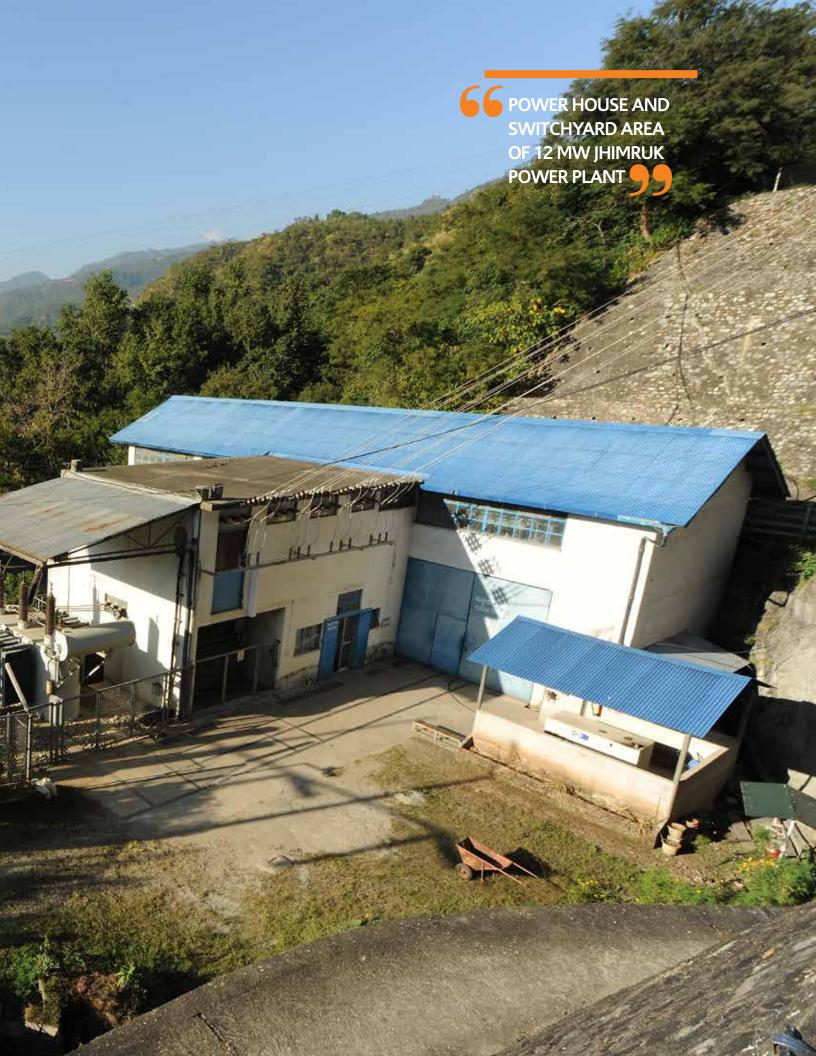
From left to right:
Mr. Pratik Man Singh Pradhan, VP- Business Development & Projects
Mr. Ratna Sambhava Shakya, Chief Manager- Finance

Mr. Uttar Kumar Shrestha, CEO

Mr. Prakash Kumar Shrestha, Head- Operations Mr. Radheshyam Shrestha, VP- Finance Mr. Tikaram Bhatta, VP- Corporate







SHAREHOLDER INFORMATION

Trading Information

Market response for BPC stock was satisfactory in FY 2071-72 in comparison of overall securities market. Quarterly key figures related to BPC shares in stock exchange for FY 2071-72 are given below:

Summary of BPC Share Transaction for FY 2071-72

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	268.67	208.69	825	918	630	690	742	59
Second	149.75	93.10	406	686	540	605	607	54
Third	167.91	104.01	317	678	588	608	616	52
Fourth	49.18	29.91	176	650	591	617	613	33
Total	635.51	435.72	1724	918	540	617	645	198

Shareholding Pattern as on Fiscal Year ended 31st Ashad 2072

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
PROMOTER GROUP			
NEPALI			
Individual	3	306	0.00%
Government	1	1538223	9.19%
Corporate Bodies	1	11667350	69.73%
Institutions	2	188883	1.13%
FOREIGN			
Corporate Bodies	1	1023397	6.12%
Institutions	1	283395	1.69%
Total	9	14701554	87.86%
PUBLIC SHAREHOLDING			
Individuals	2164	2030673	12.14%
TOTAL	2173	16732227	100.00%

CATEGORY OF SHAREHOLDER	NUMBER OF TOTAL NUMBER OF SHAREHOLDERS SHARES HELD		SHAREHOLDING AS % TOTAL NO. OF SHARES
Holding shares upto 50	223	6638	0.04%
Holding shares between 51 to 100	311	27918	0.17%
Holding shares between 101 to 500	1017	281177	1.68%
Holding shares between 501 to 1000	295	225444	1.35%
Holding shares in excess of 1000	327	16191050	96.77%
Total	2173	16732227	100%

CORPORATE SOCIAL RESPONSIBILITY

BPC believes in sustainable development. Business decisions and operations have been integrated with economic, environmental and social considerations. BPC endeavours to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC is also a contributing member of the society and is a responsible corporate citizen. BPC thrives to make a better future in close cooperation with all people and groups, including stakeholders, employees, customers, shareholders, suppliers, and local communities.



Financial support to Prime Minister's Earthquake Relief Fund.

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

BPC has been doing different activities related to the social and environmental improvement programmes to fulfil its Corporate Social Responsibility (CSR) objectives. Like in previous years, BPC has continued its support in Jhimruk project area for social uplift and environmental activities as part of CSR through Social Uplift Program (SUP). The implementing organization of SUP for the FY 2071-72 was Jhimruk Integrated Development Center (JIDCO) which is representative organization for the ten VDCs of Pyuthan namely Nayagaun, Dakhakwadi, Ramdi, Khaira, Dhuwang, Pakala, Raspurkot, Bijuli, Baraula and Dangwang. Till date, the activities of SUP have been mostly focused to provide guidance and funding to promote income generation and

Butwal Power Company Limited



Irrigation canal in Andhikhola project area.

community development through irrigation and drinking water system improvement including skill and capacity building at local level, developing microenterprises and other income generating activities. The followings are the outcomes of the SUP-

- Repair and maintenance of 23 irrigation canals
- Repair and maintenance of 10 drinking water system providing access to clean and safe drinking water to the villagers
- Support for fish farming at Khaira VDC
- Community were benefitted by farm and nonfarm based micro enterprises
- Long and short term training like Arc Welding, Plumbing and Mobile repair and maintenance training have enhanced the local capacity for income generation activities; it has been found that trained people from this program have established their mobile service business at project area.
- Gabion Wire Mesh Weaving, Concrete Block and Ring making training also helped to engage the people of Jhimruk in income generation activities locally.

- Grass plantation for protection of drinking water area from erosion.
- In addition to this BPC has also continued its support for river training works at project area to protect the community agricultural land.

Similarly, at the Andhikhola Centre, various supports were provided for infrastructure development, establishment of nursery, plantation etc. Landslide protection works at Chhartikhola area was continued as in previous years. During the construction period of Andhikhola Upgrading Project, numerous social welfare activities have been conducted around the project area which has benefited the local community. Some of the major activities carried out by AKHPU are as follows:

 Sufficient support has been provided for the operation of a Nursery centre at the project affected area. The nursery is under operation at Jagatradevi 08, near Lalyang village. This initiation has helped in maintaining the greenery; provide plants for slope protection, etc.



Irrigation water supply from Andhikhola project to Asardi, Palpa.

- Irrigation facilities for communities under AKWUA (Andhikhola Water Users' Association) and for Bhattarai Phant communities.
- Financial support was provided to local community for purchase of land required for construction of a Galyang Community Hospital at Jagatradevi – 8. This hospital will be of 50 beds capacity.
- Drinking water support program at different locations.
- Drain, Road and Infrastructure Development Support.
- Electric supply and Street Light management.
- River training, flood control, landslide protection, overflow and flushing control etc.
- Support provided for community building, cooperatives, clubs, sports and other social institutions.
- Training and awareness raising programs conducted on agro-farming, IPM, animal husbandry, income generation, nursery and plantation, bioengineering etc.



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

HEALTH, SAFETY & ENVIRONMENT

BPC recognizes that a good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. BPC continuously monitors its environmental aspects and work related hazards, in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, reduction in the incidence of occupational sickness, as well as the minimization of all kinds of environmental pollution through its defined procedures and safety control systems. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment. Emergency Preparedness Plan in place ensures that minimum loss occurs to employees and property in case of an emergency situation.

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

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

Though Hydropower is considered as environment friendly, some issues still need addressing. The impacts due to water diversion have been mitigated properly in a scientific manner. The Company has been carrying out river training works every year in the affected area to protect the farmer's land from flood. Various activities are being carried out to improve the health and sanitation awareness and its condition in the community.

One of the major environmental aspects of distribution is tree cutting during line construction and cutting and trimming of the bushes and bamboos during line maintenance. For minimizing the impact of the said aspect, seedlings are distributed to the local community and are encouraged for plantation. All wastes, which include damaged electromechanical parts, insulating materials and used oils, are disposed in an appropriate way.

While implementing projects and carrying out day-to-day operations, BPC is committed to be transparent and act responsibly in all sorts of environmental, social and financial issues.



SUSTAINABILITY

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

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

Being ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certified company, BPC values good governance, quality service delivery, health and safety, and its commitments to the environment in a sustainable manner.

Economic Performance

BPC has been reporting sustained level of revenue generation. In spite of the poor performance of share market throughout the year, BPC shares performed satisfactorily reflecting the market's confidence in the Company. With expansion plans through building new hydropower projects such as Kabeli-A and Nyadi, which are nearing realization, the company is expected to do better. Further with political stabilization in the horizon, environment to attract investment to Nepal will help BPC's objective to expand its core business area. BPC continues to focus on bringing up internal efficiencies to work processes and on rationalizing its investments where possible, to counter the challenges it faces.

Social Performance

Social Impact Assessment study is conducted to set the socio-economic baseline before implementation of projects, which helps in identifying impacts and recommending mitigation measures in the affected area. BPC has mobilized

its own and external resources to implement social development projects in its project area. Jhimruk Downstream Mitigation Project (JDMP) is an example, where, BPC has been able to mobilize resources to implement activities in the field of social, environmental and economic development. Similarly, awareness programs, capacity building trainings programs has also been carried out to enhance the skills and the knowledge enabling the communities to initiate new economic activities. The company has been assisting people in and around its project areas to uplift their social and economic standards through prioritizing employment and other income generating activities. As a result, BPC is confident that these endeavours will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development. In recognition of company's excellence in mitigating the environmental and social impacts from Andhikhola Hydropower Plant and producing environment friendly hydropower, BPC won 'International Blue Planet Award 2005' from International Hydropower Association, UK.

Environmental Performance

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

BPC SUBSIDIARIES

Kabeli Energy Limited

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

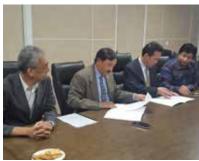
This project utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharged into Tamor River after power generation. The gross head of the project is 118.8 m and the design discharge based at 40 percentile flow in the river is 37.73 m3/s. The project will have an installed capacity of 37.6 MW and will generate 205.15 GWh energy annually. The project area is accessible through Mechi Highway. The headwork and powerhouse are accessible by 7.5 km and 14.5 km access road respectively from Mechi Highway. Project Development Agreement, with Government of Nepal (GoN), for development of the project on Build-own-operate-Transfer (BooT) basis was signed in January 2010 and amended in 2013 and is being executed. The updated Feasibility study and IEE of the project has been completed and approved by GoN.

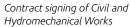
Kabeli Energy Limited has also involved different panel of expert during the study period in the different aspects of the project and incorporated their feedbacks and comments on the detail design of the project.

After Technical and Financial evaluation Zhejiang Hydropower Construction and Installation Co. Ltd., China found to be the competitive bidder for Civil and Hydromechanical Works. The contract was signed on 11 October 2015. Contract for electromechanical works are under negotiations.

Tata Consulting Engineers Limited has been appointed as Owner's Engineer for the construction supervision works.

The Dam Safety Plan has complied with the operational policy requirement of World Bank and the Loan Agreement between Kabeli Energy Limited







PPA signing of Kabeli-A Hydroelectric Project with NEA.

PROJECT FACT SHEET

Project type: Peaking Run of-river (PRoR)

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

Installed Capacity: 37.6 MW

Annual energy generation: 205.15 GWh Design discharge: 37.73 m³/sec at Q40

Gross Head: 118.8 m Head Race Tunnel: 4327 m

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

Headworks - 7.5 km from Mechi highway Powerhouse — 14.5 km from Mechi highway

and International Finance Corporation has been completed on July 16, 2014 and subsequently the Financing Agreement between Government of Nepal and IDA and Project Agreement between IDA and Kabeli Energy Limited has been finalized.

PPA has been signed with Nepal Electricity Authority (NEA) on September 24, 2015. Prior to signing the PPA, Grid Connection Agreement has been signed on June 18, 2015

In the FY 2072-73, KEL plans to complete upgrading work of access road, staff colony, remaining land procurement works. Also, plan is underway to address the mitigation measures spelled out in approved EMP/SAP.

Nepal Hydro & Electric Limited

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

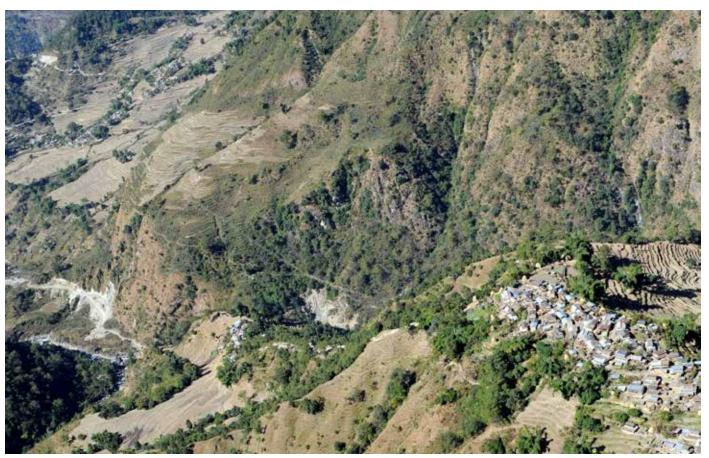
NHE's major project accomplishments are Andhikhola 5.1 MW, Jhimruk 12 MW, Puwakhola 6.2 MW; Khimti 1 60 MW, Modi 14 MW, Chilime 20 MW, Kaligandaki 'A' 144 MW, Khudi 4.2 MW, Middle Marsyangdi 70 MW, 2.4 MW Lower Mai, 5 MW Siuri, 9.6 MW Siprin Hydropower, 30 MVA 132/33kV Chandranigahpur, 2x45 MVA 132/66 kV Parwanipur, 63 MVA 132/33 kV Jogikuti Butwal and NEA ADB funded Butwal–Kohalpur 132kV Corridor Substation Projects.

The company posted a turnover of NPR 379 million during the FY 2071-72 and registered a net profit after tax about NPR 4.4 million compared to a loss of NPR 10 million in previous year. The net worth of NHE as on July 16, 2015 is NPR 225.5 million. In FY 2071/72, NHE in Consortium with CQNEC (Chongqing New Century Electrical Company Limited, China) has been awarded two of Nepal Electricity Authority ADB's Funded Projects: Kohalpur-Mahendranagar 132KV Second Circuit Transmission Line Project, Contract priced NPR 782 Million and 132 kV Grid Substation Reinforcement Project, Contact priced NPR 644 Million.

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







Aerial veiw of Penstock and Powerhouse area of Nyadi HP.

Nyadi Hydropower Limited

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

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

Following Grid Connection Agreement, Power Purchase Agreement (PPA) has also been signed with NEA on 26 May, 2015 for Tariff rates NRs. 4.80 for Monsoon and NRs. 8.40 for Dry season energy. Financial Closure is also in progress. NHL obtained the Generation License on 14 Feb, 2013.

PROJECT FACT SHEET

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

Project Location:

Head work site — Lamjung District, Bahundanda-2, Near Naiche village Power House site — Lamjung District, Bahundanda-7, Near Thulobeshi village

Installed Capacity: 30 MW

Annual Energy Generation: 168.50 GWh Design Discharge: 11.02 Cumec at Q40

Gross head: 333.90 m Head Race Tunnel: 3937 m

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

Corridor Transmission line planned by NEA at Khudi Hub.

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

at Besisahar-Chame Road.

Headworks Site is 5 km further away from Power house.

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

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) provides consultancy services in water resource based infrastructure development. It works with water, land and people while respecting the local socioecological systems. It investigates, designs and assists to develop hydropower projects in Nepal and abroad. HCE offers its services in water supply, irrigation, and transportation sectors as well.

HCE has established professionalism, goodwill and its own trademark in the market. HCE maintains its human resources with competent retention schemes and currently there are 61 staff employed in HCE. HCE is also sponsoring training programs for capacity building and career development as per the requirements of its staff. Moreover, HCE and Multi-consult (NORPLAN AS), Norway have continued the FK Youth Professional Exchange Program since 2012. HCE exchanges two staff every year under this program that has enabled its staff to experience different working culture and technologies in Norway.

HCE has continued to provide international and national engineering consultancy in FY 2071-72 intelligently, paying particular attention to successful business results, rather than merely finishing the job. Internationally, the project management and construction supervision of 5 MW Gura Hydropower Project in Kenya and feasibility study of 260 MW Jamshill Turen More Hydropower Project (previously Koragh HP) in Pakistan continued in this fiscal year also. In national scenario, HCE continued detail design of 42 MW Mristri Khola HP; support services for Lower Manang HP (140 MW), Kabeli A HEP (37.6 MW), Nyadi HP (30 MW) and Adhikhola Upgrading (9.4 MW); and IPC verification of Hewa Khola HP (14.9 MW) and Mai Khola HP (22 MW) in this fiscal year also. In addition, the notable consultancy services performed by HCE in this fiscal year are: construction supervision of Thapa Khola HP (13.6 MW), technical management and construction supervision of Upper Mai HP (9.98 MW), detail design and tender document preparation of Khani Khola HP (30 MW), updated feasibility, tender document preparation and detail design of Nyam Nyam SHP (6 MW), feasibility review, tender document preparation and detail design of Middle Modi HP (15.1 MW), design and tender documents preparation of Khimti I Headworks repair (60 MW) etc.



260 MW Jamshill Turen More Hydropower Project, Pakistan.

HCE has improved financial performances in this fiscal year. In the FY 2071-72, the revenue from consultancy business is NPR 87.9 million compared to NPR 82.2 million in FY 2070-71. The net profit after tax is reported at NPR 12.3 million compared to NPR 11.6 million last year. It was able to register an EPS of NPR 104. Therefore, the overall financial performance of the company is commendable.

Despite the encouraging trend of financial performance, there are continued risks and challenges for HCE in the national market owing to insecurity of investment, bureaucratic hassles and unsure political situation of the country. This situation, apart from limited business opportunities, has contrived the exodus of the competent human resources to the developed countries, which has also affected HCE to an extent. However, development of hydropower projects by independent power producers and the government is still going on even with this fragile investment scenario. In addition, HCE is also exploring alternative national sectors and international hydro projects to mitigate the potential business risks and challenges.

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

Khudi Hydropower Limited

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

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

During the FY 2071-72, 24.25 GWh of energy was supplied through 33 KV transmission line to NEA. The company recorded revenue of NPR 100.6 million this fiscal year in compared to NPR 96.28 million in the FY 2070-71. It marks an increment of 4.3% over previous year's revenue. The principal and interest for the consortium loan have been paid regularly as scheduled. The company was able to record a net profit of NPR 34.4 million in comparison of NPR 17.0 million last year.

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

The water of Khudi River contains a huge quantity of sediment during monsoon period. This high silt content during monsoon season is the major cause for severe erosion of turbine parts. This has enforced to shut down the plant during flood as the river water is turbid with high sediment content. The erosion of turbine parts also reduces turbine efficiency and increases maintenance duration and cost. As a preventive measure, the power plant has been shut-down mostly during the high floods since the water is very turbid with high sediment content during these times.

Khudi Hydropower Project's biggest contribution goes towards the people of Lamjung where load-shedding has been drastically reduced compared to the rest of the country. The electricity supply from Khudi HP is consumed primarily in the



Powerhouse of 4 MW Khudi Hydropower Project.

surrounding areas of Khudi, Besisahar, Dumre and Bandipur. The quality of electricity supply in Lamjung and Tanahu district has substantially improved after commissioning of Khudi Hydropower Project.

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

PROJECT FACT SHEET:

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

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

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

Installed Capacity: 4.00 MW

Annual energy generation: 24,284 MWh

Design discharge: 4.9 m³/s

Gross Head: 103 m

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

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

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

Headworks Site is further 2.5 km away from Power house.



33/11KV Mirdi Sub-station.

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 4.6 million after tax in the FY 2071-72. The net worth of BPCSL as on July 16, 2014 stands at NPR 13.8 million.

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

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

FIVE YEAR FINANCIAL SUMMARY

rive fear Summary of Stateme					In Thousand NF
PARTICULARS	2067/68 2010/2011	2068/69 2011/2012	2069/70 2012/2013	2070/71 2013/2014	2071/7: 2014/201
ASSETS & PROPERTY:					
Fixed Assets	1,521,536	1,543,387	1,507,722	1,432,459	2,733,81
Land	66,561	59,755	72,310	69,266	68,62
Office Building & Quarters	28,267	67,154	195,495	195,288	218,20
Access Road	2,093	-	-	-	,
Suspension Bridge	1,381	_	_	_	
Power Plant & Machinery	258,644	233,196	204,435	178,842	1,412,22
Switching & Sub Station	50,714	40,001	39,194	37,371	98,65
Transmission & Distribution Line	350,974	352,532	360,519	344,664	366,26
Capital Stock	-	32,933	11,345	10,970	9,7
Office Equipments	19,869	33,442	72,175	69,014	57,82
Furnitures	1,378	8,814	22,482	21,648	16,66
Vehicles	21,918	22,953	20,590	16,761	10,2
Revalued Asset	719,737	692,607	509,177	488,635	475,33
Assets Held for Sale	-	-	3,170	3,170	3,17
Work in Progress	205,488	407,388	860,113	1,316,475	179,36
Investment in Shares	932,853	999,287	1,082,501	879,645	1,088,18
Loans and Advances	, , , , , , , , , , , , , , , , , , , ,		, , , , , ,	342,446	254,9
Advance for Investment in Share				,	
Current Assets, Loan & Advance	600,391	1,023,849	852,890	884,848	670,9
Stock	83,413	42,857	35,956	56,912	68,1
Debtors & Receivable	184,140	283,626	276,275	335,948	305,9
Cash & Bank Balance	44,902	322,797	252,087	202,039	85,7
Advance & Deposit	287,936	374,569	288,572	289,949	211,1
Deferred Revenue Expenditure	4,895	5,704	-	-	,
Total	3,265,163	3,979,615	4,306,396	4,859,043	4,930,40
CAPITAL & LIABILITIES:					
Equity	1,015,269	1,015,269	1,015,269	1,673,223	1,673,2
Reserve & Surplus	1,695,673	1,908,136	1,708,852	1,785,848	1,955,84
General Reserve	148,700	148,700	148,700	148,700	148,7
Revaluation Reserve	719,737	692,607	509,177	488,635	475,3
Retained Earnings	621,051	853,602	843,145	937,934	1,120,2
Share Premium Account				11,006	11,0
Grant Aid in Reserve	206,185	213,227	207,830	199,573	200,5
Long Term Loan	118,111	531,799	838,453	873,509	765,48
Deferred Tax Liabilities	-	13,442	26,163	7,963	23,85
Current Liabilities	328,979	444,198	678,347	493,088	496,91
Short Term Loan	162,932	245,022	397,472	126,306	122,1
Creditors & Payables	149,189	193,808	277,761	364,247	342,2
Advance & Deposit	16,858	5,368	3,114	2,535	32,4
Provisions	107,131	66,771	39,312	25,412	15,0
Provision for Corporate Tax	38,291	43,781	7,901	_	
Corporate Tax for 2060/61	16,774	16,774	16,774	16,774	1
Corporate Tax for 2067/68	,	,			5,6
Provision of Loss in Investment	38,762	522	_	_	- / -
Provision for Expenses	13,304	5,694	14,637	8,638	9,3
Total			,	-,	. /-

Dividend Paid

Balance Transferred to Financial Position

Five Year Summary of Statement of Income

In Thousand NRs 2069/70 2070/71 2071/72 **PARTICULARS** 2011/2012 2012/2013 2014/2015 INCOME **Operating Income** Electricity Sale to NEA 408,575 432,511 409,020 289,299 402,356 **Electricity Sale to Consumers** 75,212 85,922 94,537 108,509 114,589 **Electricity Services** 8,549 6,299 9,228 5,583 6,247 Management and Technical Support 80,877 81,133 605,149 **Total Operating Income** 573,892 512,106 404,107 523,192 **Income from Other Sources** Interest Income 15,825 32,786 28,522 35,134 37,767 Foreign Currency Exchange Gain (Loss) 243 (4,283)8,769 6,586 1,204 Dividend Income 164,265 374,957 241,408 393,615 433,103 Gain (Loss) on Disposal of Assets & Stock Materials 2,295 147 1,254 2,277 (624)Depreciation Being Revenue Portion of Grant Aid 9,408 10,772 11,188 11,506 11,640 Other 1,792 2,296 7,204 11,814 40,426 **Total Non-Operating Income** 189,302 429,727 296,162 455,550 522,555 763,194 808,268 1,045,747 **Total Income** 1,034,876 859,657 **EXPENDITURE Generation Expenses** 144,495 163,387 242,826 261,785 248,777 **Distribution Expenses** 59,509 59,167 68,333 62,807 69,768 Management and Technical Support Expenses 19,556 7,738 **Project Development Expenses** 8,014 15,856 Administrative Expenses 73,503 84,687 115,469 108,299 93,252 Provision of Loss in Investment (6,360)48,292 (7,307)(4,969)(17,364)Interest Expense 25,240 35,789 48,461 50,413 41,234 Depreciation 70,690 90,042 103,592 62,199 67,834 Staff Bonus 9,777 11,400 5,290 5,711 10,764 **Total Expenditure** 395,933 494,150 543,762 574,088 550,023 **Net Profit Before Tax** 367,261 540,726 264,506 285,569 495,724 Income Tax Provision 38,291 43,781 7,901 **Deferred Tax Expenses** 13,442 12,721 (18,199)15,895 **Net Profit After Tax** 483,503 243,884 479,829 328,970 303,768 Retained Earnings b/f 385,120 621,051 853,602 843,145 937,934 Prior Year's Adjustment (742) 2,865 (524)(26,231)(46,497)10% Stock Dividend

(92,297)

621,051

(253,817)

853,602

(253,817)

843,145

(182,748)

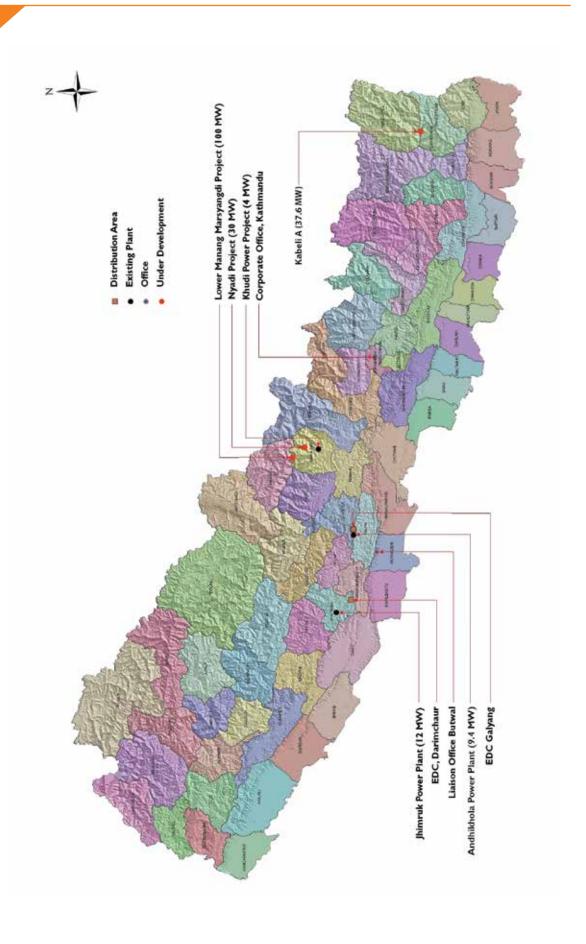
937,934

(250,983)

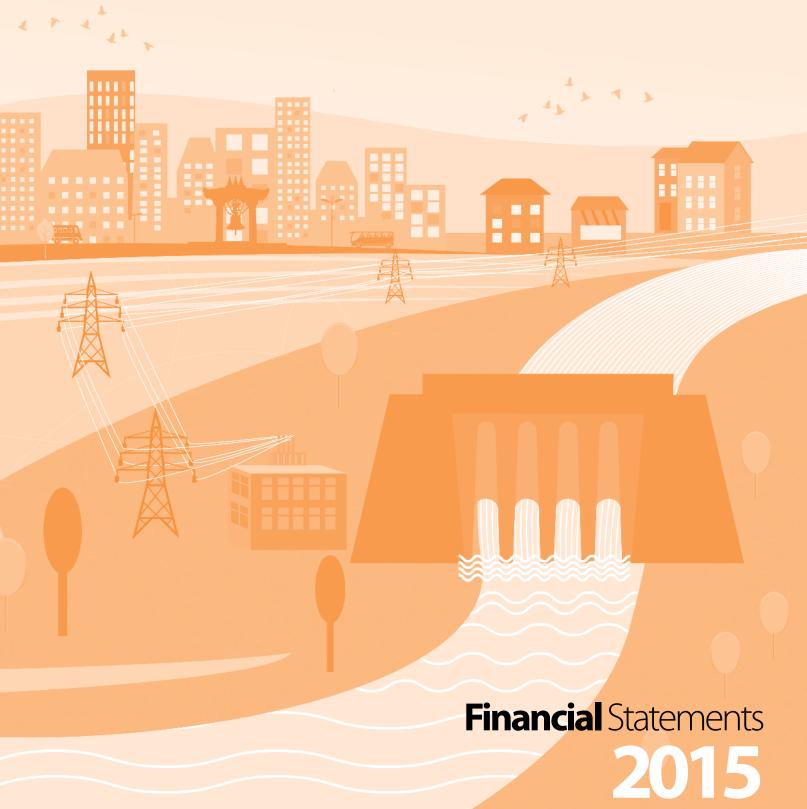
1,120,283



OUR PRESENCE







Butwal Power Company Limited

S. R. Pandey & Co.

Chartered Accountants

Radha Krishna Marga, New Baneshwor

P.O. Box No. 2343

Kathmandu, Nepal

: 2104600, 2104700 : 977-1-4491187

e-mail: srpandey@wlink.com.np

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

 We have audited the accompanying financial statements of Butwal Power Company Ltd., which comprise the Balance Sheet as at Ashad 31, 2072, (July 16, 2015) and the related, Income Statement, Statement of Change in Equity, Cash Flows, and Notes to the Annual Accounts for the year then ended.

Opinion

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

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

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

Tel.

Fax.

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

- 4. On the basis of our examination, we would like to report that:
 - We have obtained all the information and explanations, which were considered necessary for the purpose for our audit
 - The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - iii. The Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
 - iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - v. We have not come across any fraudulence in the accounts.
- 5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashad 31, 2072 (July 16, 2015), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063.

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

Place: Kathmandu Date: 2072.08.06

CA. Sudarshan Raj Pandey Senior Partner

STATEMENT OF FINANCIAL POSITION

As on 31 Ashadh 2072 (16 July 2015)

					(in NPI
	Part	iculars	Schedule	2071/72	2070/71
ı	sou	RCES OF FUND			
	1	Shareholder's Fund			
		Share Capital	1	1,673,222,700	1,673,222,700
		Reserve & Surplus	2	1,755,324,540	1,586,275,334
		Total Shareholder's Fund		3,428,547,240	3,259,498,034
	2	Grant Aid in Reserve	3	200,515,706	199,572,524
	3	Long Term Loan	4	765,488,149	873,509,595
		TOTAL		4,394,551,095	4,332,580,153
ı	APP	LICATION OF FUND			
	1	Non-Current Assets			
		Property, Plant & Equipment	5		
		Gross Block		3,700,314,227	2,311,680,040
		Less: Depreciation		966,498,830	879,220,415
		Net Block		2,733,815,397	1,432,459,625
		Assets Held for Sale		3,170,203	3,170,203
		Work in Progress	6	179,365,662	1,316,474,613
		Investment in Share	7	1,088,184,870	879,644,799
		Loans and Advances	8	254,914,757	342,445,764
		Total Non- Current Assets		4,259,450,889	3,974,195,004
	2	Current Assets:			
		Stocks	9	68,133,145	56,911,987
		Debtors & Accounts Receivable	10	305,943,468	335,947,655
		Cash in Hand and at Bank	11	85,767,329	202,038,606
		Advance & Deposit Paid	12	211,110,861	289,949,797
		Total Current Assets		670,954,803	884,848,045
	3	Less: Current Liabilities			
		Short Term Loan		122,172,416	126,306,177
		Creditors & Accounts Payable	13	342,247,954	364,246,635
		Advance & Deposit Received	14	32,495,124	2,535,073
		Provisions	15	15,080,564	25,411,631
		Total Current Liabilities		511,996,058	518,499,516
		Net Current Assets		158,958,745	366,348,529
	4	Deferred Tax Liabilities		23,858,539	7,963,380
		TOTAL		4,394,551,095	4,332,580,153

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

Radheshyam Shrestha	Uttar Kumar Shrestha	Padma Jyoti	
Vice President- Finance	Chief Executive Officer	Chairman	
Pradeep Kumar Shrestha Director	Rajib Rajbhandari Director	Bijaya Krishna Shrestha Director	As per our report of even date
Shyam Kishor Yadhav	Chandi Prasad Shrestha	Divakar Vaidya	CA. Sudarshan Raj Pandey Senior Partner SR Pandey & Co. Chartered Accountants
Director	Director	Director	

Date: 2072/08/06 (22 November, 2015)

Place: Kathmandu, Nepal



STATEMENT OF INCOME

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

Particulars	Schedule	2071/72	(in NP) 2070/71
OPERATING INCOME			
Electricity Sale to NEA		402,356,281	289,298,549
Electricity Sale to Consumers	16	114,588,769	108,509,858
Electricity Services	17	6,246,602	6,298,792
Total Operating Income		523,191,652	404,107,199
OPERATING EXPENSES			
Generation Expenses	18	248,777,267	261,784,666
Distribution Expenses	19	69,767,971	62,806,579
Total Operating Expenses		318,545,238	324,591,245
GROSS OPERATING PROFIT		204,646,414	79,515,954
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	20	93,252,282	108,299,969
Depreciation	5	103,591,569	90,041,718
Provision for Loss/(Income) in Investment	21	(17,363,564)	(4,968,919)
Interest on Loan		41,233,960	50,412,966
Total Administrative and Other Expenses		220,714,247	243,785,734
INCOME FROM OTHER SOURCES			
Interest Income		37,767,874	35,133,792
Other Income	22	40,426,185	11,813,678
Depreciation Being Revenue Portion of Grant Aid		11,639,551	11,505,691
Dividend Income		433,102,623	393,615,406
Foreign Currency Exchange Gain/(Loss)		243,662	1,204,198
Gain/(Loss) on Disposal of Assets & Stock Materials	23	(624,225)	2,277,008
Total Income From Other Sources		522,555,670	455,549,773
PROFIT (LOSS) BEFORE BONUS & TAX		506,487,837	291,279,993
Employees's Bonus		10,764,191	5,711,372
Provision for Corporate Tax		-	-
Deferred Tax Expenses/(Income)		15,895,159	(18,199,363)
NET PROFIT (LOSS) BEFORE APPROPRIATION		479,828,487	303,767,984
Last Years Balance		937,934,269	843,145,280
Profit for this Fiscal Year		479,828,487	303,767,984
Total		1,417,762,756	1,146,913,264
Less: Dividend Paid		(250,983,405)	(182,748,492)
Total Dividend		(250,983,405)	(182,748,492)
Prior Years Adjustment		(46,496,810)	(26,230,503)
Balance Transferred to Financial Position		1,120,282,541	937,934,269
Earnings per share- Basic		28.68	19.75
Earnings per share- Diluted		28.68	19.75
Significant Accounting Policies & Notes to Accounts	24		
Schedule 16 to 23 form an integral part of this financial statement.	-	-	

Radheshyam Shrestha	Uttar Kumar Shrestha	Padma Jyoti	
Vice President- Finance	Chief Executive Officer	Chairman	
Pradeep Kumar Shrestha	Rajib Rajbhandari	Bijaya Krishna Shrestha	As per our report of even date
Director	Director	Director	
Shyam Kishor Yadhav	Chandi Prasad Shrestha	Divakar Vaidya	CA. Sudarshan Raj Pandey Senior Partner SR Pandey & Co. Chartered Accountants
Director	Director	Director	

Date: 2072/08/06 (22 November, 2015)

Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

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

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

For the year ended 32 Ashadh 2071 (16 July 2014)

						(IN NPK)
Particulars	Share Capital	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	2070/71
Balance as on 31st Ashadh, 2070	1,015,269,400		509,176,615	148,700,000	843,145,280	2,516,291,295
Adjustment for the Year	657,953,300	11,006,400	(20,541,950)			648,417,750
Dividend of FY 2069/70 paid					(182,748,492)	(182,748,492)
Profit for the Year					303,767,984	303,767,984
Prior Year's Adjustment					(26,230,503)	(26,230,503)
Balance as on 32nd Ashadh, 2071	1,673,222,700	11,006,400	488,634,665	148,700,000	937,934,269	3,259,498,034



STATEMENT OF CASH FLOW For the year ended 31 Ashadh 2072 (16 July 2015)

Particulars	2071/72	2070/71
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	506,487,837	291,279,993
Adjustment for:		
Ordinary Depreciation	91,952,018	78,536,027
Depreciation Charged to Grant Aid in Reserve	11,639,551	11,505,691
Foreign Currency Exchange (Gain)/Loss	(243,662)	(1,204,198)
Interest Expenses	41,233,960	50,412,966
Interest Received	(37,767,874)	(35,133,792)
Dividend Received	(433,102,623)	(393,615,406
Provision for Expenses	711,555	(5,999,511)
(Gain)/Loss on disposal of Stock	624,225	(2,277,008
Written off of Assets	10,189,841	6,428,838
Operating Profit before Working Capital Changes	191,724,828	(66,400
Decrease/(Increase) in Debtors & Accounts Receivable	30,004,187	(59,673,060)
Decrease/(Increase) in Stocks	(11,845,383)	(18,678,871
Decrease/(Increase) in Advance & Deposit Paid	128,522,879	(3,525,253
Increase/(Decrease) in Creditors & Accounts Payable	(42,903,370)	76,288,430
Increase/(Decrease) in Advance & Deposit Received	29,960,051	(578,837
Cash Generated from Operations	325,463,192	(6,233,991
Interest Paid	(41,233,960)	(50,412,966
Foreign Currency Exchange Gain/(Loss)	243,662	1,204,198
Bonus Paid	(5,711,372)	(5,290,136
Tax Paid	(49,683,943)	(5,753,967
Prior year Adjustment	(46,496,810)	(26,230,503
Net Cash Flows from Operating Activities (A)	182,580,769	(92,717,365
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(1,428,436,249)	(41,750,057
Assets Held for Sale	-	
Investment in Share	(208,540,071)	(4,968,919
Loans and Advances	87,531,007	(134,620,425
Decrease/(Increase) in Work-in-Progress	1,137,108,951	(456,361,844
Interest Received	37,767,874	35,133,792
Dividend Received	433,102,623	393,615,40
Net Cash Flows from Investing Activities (B)	58,534,135	(208,952,047
Cash Flows from Financing Activities:		
Increase/(Decrease) in Share Capital	-	657,953,300
Increase/(Decrease) in Share Premium	-	11,006,400
Increase/(Decrease) in Grant Aid in Reserve	943,182	(8,257,019
Increase/(Decrease) in Long Term Loan	(108,021,446)	35,056,76
Increase/(Decrease) in Short Term Loan	(4,133,761)	(271,165,497
Dividend Paid	(246,174,157)	(172,972,970
Net Cash Flows from Financing Activities (C)	(357,386,182)	251,620,975
Net Changes in Cash & Cash Equivalents (A+B+C)	(116,271,278)	(50,048,437)
Opening Cash and Cash Equivalents	202,038,606	252,087,046
Closing Cash and Cash Equivalents	85,767,329	202,038,606

Schedules to the Statement of Financial Position & Income

Fiscal Year 2071/72 (2014/2015)

Schedule No. 1 **Share Capital**

		(1111111)
Particulars	2071/72	2070/71
Authorised Capital:		
80,000,000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
Issued Capital		
17,000,000 Shares of Rs.100/- each	1,700,000,000	1,700,000,000
Paid up Capital:		
16,732,227 Shares at face value of Rs. 100/- each		
Government of Nepal	153,822,300	153,822,300
Shangri-La Energy Ltd.	1,166,735,000	1,166,735,000
IKN Nepal A.S., Norway	102,339,700	102,339,700
United Mission to Nepal	28,339,500	28,339,500
Nepal Electricity Authority	17,871,500	17,871,500
NIDC Development Bank Limited	1,016,800	1,016,800
General Public/Employees	203,067,300	203,067,300
Purna Prasad Adhikari	10,200	10,200
Balaram Pradhan	10,200	10,200
Suman Basnet	10,200	10,200
Total	1,673,222,700	1,673,222,700

Reserve and Surplus		
Particulars	2071/72	
General Reserve	148,700,000	

Reserve and Surplus		Schedule No. 2
Particulars	2071/72	2070/71
General Reserve	148,700,000	148,700,000
Revaluation Reserve	475,335,599	488,634,665
Share Premium Account	11,006,400	11,006,400
Retained Earnings	1,120,282,541	937,934,269
Total	1,755,324,540	1,586,275,334

FINANCIAL **STATEMENTS 2015**

Schedule No. 3 **Grant Aid in Reserve**

Grant Aid in Reserve		(in NPR)
Particulars	2071/72	2070/71
NORAD Grant for JHEREP II A - R.E.	10,106,515	11,369,829
UMN PCS Assistance for Rural Electrification	20,303,060	21,897,579
USAID Grant for Rural Electrification	11,477,357	12,866,230
USAID Support for REGDAN	12,458,876	13,198,459
JRP Grant for Enhancement of Power Plant	6,188,772	6,542,133
NMFA Support for REEP	83,309,419	87,475,336
KADOORI VDC	1,612,984	1,656,944
Udaypurkot VDC	685,253	668,501
Dhungegadhi VDC	1,471,862	1,548,374
Hansapur VDC	2,702,717	2,438,702
Dhakabang VDC	5,931,886	5,835,131
Bhingree VDC	1,273,742	911,356
Markabang VDC	262,838	57,866
Dharampani VDC	473,725	499,099
Aladi VDC	3,558,474	3,734,848
Kalikakot VDC	4,439,248	3,922,991
Banethok Deurali VDC	2,191,905	2,300,555
Sorek VDC	355,930	374,613
Tindobate VDC	450,705	296,600
Sekham VDC	386,853	407,304
Darchha VDC	1,523,969	1,597,750
Rampur VDC	941,734	958,721
Heklang VDC	2,754,418	1,663,372
Kuwakot VDC	67,704	71,147
Gejha VDC	357,060	94,145
Walling (Pension Camp)	34,776	36,544
Sirsekot VDC	64,158	67,420
Dhapuk VDC	260,009	272,330
Nepal Telecom (Banethok)	89,213	93,749
Sakhar VDC	421,204	441,879
Gandakot VDC	2,701,060	2,789,658
Narange DWP, Pakala	809,724	850,889
Sari VDC	541,344	567,356
NEPAL TELECOM, Pyuthan	325,449	341,174
Bangesal VDC	3,662,704	3,029,870
DDC- Arghakhanchi	2,360,400	2,480,400
Pelakot	1,211,959	51,079
Kalikakot (NCELL)	286,725	299,730
Spice Nepal Pvt. Ltd. (Pyuthan)	1,105,255	1,156,570
Tiram VDC	1,888,853	114,294
Hungi (Ncell)	94,059	98,400
Pakawadi	894,136	17,862
Gejha (Ncell)	58,046	60,725
Thumpokara (Ncell)	147,528	154,337
Walling (Ncell)	212,386	222,189
Khaliban	4,701	4,918
Barjibang VDC	319,457	333,920
Walling Municipality	270,210	79,423
Jagat Bhanjyang	38,328	39,994
Ratnapur	5,205	5,431
Dharapani VDC	1,341,407	1,398,857
Dangbang VDC	2,020,211	2,079,098
Pelakot (N-Cell)	92,971	2,079,098 96,845
Khilung Deurali	571,287	90,043
j i i i i i i i i i i i i i i i i i i i		-
Arjun Chaupari	59,500 1 502 411	-
Khaira VDC	1,503,411	-
Chuja VDC	51,250	-
Belbas VDC	228,646 1,552,127	-
Ramdi VDC	1,553,127	100 573 534
Total	200,515,706	199,572,524

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Long Ierm Loan		(in NPR)
Particulars	2071/72	2070/71
NIC Asia Bank Limited	186,008,238	196,265,412
Mega Bank Nepal Limited	255,179,651	285,179,651
International Finance Corporation (IFC)	440,467,771	508,232,043
Sub Total Sub Total	881,655,660	989,677,106
Less:	-	-
Principal Payable Within One Year	(116,167,511)	(116,167,511)
Sub Total	(116,167,511)	(116,167,511)
Total	765,488,149	873,509,595

Schedule No. 4

Property, Plant and Equipment

		GROSS B	LOCK			DEPREC	ATION		NET BL	OCK
Particulars	As at 32nd Ashadh, 2071	Addition during the Year	Adjustment during the Year	As at 31st Ashadh, 2072	As at 32nd Ashadh, 2071	As at 32nd Adjustment Provided Ashadh, 2071 during the Year	Provided during this Year	As at 31st Ashadh, 2072	As at 31st As at 31st As at 32nd As at 32nd Ashadh, 2072 Ashadh, 2072 NPR	As at 32nd Ashadh, 2071 NPR
Group A : Property and Power Plant:										
i : BPC Funded Asset										
Land	71,448,131	55,605	1	71,503,736	3,648,943		652,589	4,301,532	67,202,204	67,799,188
Guesthouse Stores Offices Ouarters	225 718 930	33 507 258	(475 996)	258 840 192	30 430 564	(475 996)	10685641	40,640,209	218 199 983	195 288 366
Dower Dlant Flortho Mechanical For insment	322 085 125	715 181 017	(0) (1) (1)	221,040,052	716 050 633	(000'0'11)	18 73 / 606	735,694,739	602,422,800	106,025,000
י סעיכו ז' ומו ז' ביבירנוס־זייופרו זמו זוכמו בקעוף ז' ויפן זי	721,006,226	+16,101,010		600,101,000	000,606,012		000/10/01	CC2,+CO,CC2	002,77,2,000	264,620,001
Power Plant Civil Works	308,698,477	758,460,271		1,067,158,748	243,098,113		20,904,382	264,002,495	803,156,253	65,600,363
Switching & Sub Station	11,883,781	63,684,513	155,375	75,723,669	1,984,462	18,645	1,194,028	3,197,135	72,526,534	9,899,319
Transmission & Distribution Line	376,993,073	33,351,175		410,344,248	195,745,681		14,716,785	210,462,466	199,881,781	181,247,392
Capital Stock	12,329,275		(1,100,479)	11,228,796	1,359,714	(320,075)	434,601	1,474,239	9,754,557	10,969,561
Sub - Total i	1.330.056.791	1.404.330.737	(1.421.100)	2.732.966.428	693.227.110	(777,426)	67.322.632	759.772.315	1.973.194.112	636.829.681
ii : Grant Aided Asset						()				
Transmission & Distribution Line	240.488.194	12.582.733		253.070.927	77.071.420		9.619.527	86.690.947	166.379.980	163.416.774
Dower Dient Flortro-Machanical Equipment	15 574 320			15 574 320	8 357 789		622 073	6 080 762	6 503 558	7 216 531
rower riant Electro-Infectial lical Equipment	026,476,61			13,574,520	60///66/0		676,220	201,006,0	000,000,0	1.00,017,
Switching & Sub Station	33,703,548			33,703,548	6,231,612		1,348,142	7,579,754	26,123,794	27,471,936
Land	1,614,010			1,614,010	146,727		48,909	195,636	1,418,374	1,467,283
Sub - Total ii	291,380,072	12,582,733	•	303,962,804	91,807,548	•	11,639,551	103,447,099	200,515,706	199,572,524
Total A (i+ii)	1 621 436 862	1 416 913 469	(1 421 100)	3 036 979 232	785 034 658	(777 426)	78 962 183	863 219 414	2 173 709 818	836 402 204
10tal A (1111)	100,000	101111111111111111111111111111111111111	(001/171/100)	2,000,000,000	20,000	(071/11)	0,705,103	1117171700	2,00,00,00	102/201/000
Group B: Omce Equipment & Furniture										
I: BPC Funded Asset										
Computer & Accessories	20,727,378	4,617,214	(4,043,066)	21,301,525	12,593,861	(3,120,129)	2,311,394	11,785,127	9,516,399	8,133,517
Furniture & Fixture	32,267,345	797,614	(865,629)	32,199,329	10,619,431	(622,259)	5,540,236	15,534,407	16,664,922	21,647,914
Office Equipment	83,549,361	1,610,802	(2,081,912)	83,078,252	28,750,023	(1,698,151)	13,741,221	40,793,092	42,285,159	54,799,339
Sub - Total i	136,544,084	7,025,630	(809'066'9)	136,579,106	51,963,315	(5,443,539)	21,592,851	68,112,627	68,466,480	84,580,769
ii: Grant Aided Asset										
Office Equipment	•			•	•			,	•	•
Sub - Total ii			'							
Total B (i+ii)	136.544.084	7.025.630	(6.990.608)	136.579.106	51.963.315	(5.443.539)	21.592.851	68.112.627	68.466.480	84.580.769
Group C: Vehicle										
Vehicles	48 615 961	3 438 234	(17 712 543)	34 341 652	31 854 587	(9 765 314)	1 972 823	24 062 096	10 279 556	16761374
	0000	1070010	(0+0/217/11)	700,100	50,1	(1.00000)	270'7 (6')	0,02,000	00000	1000
Group D: workshop Plant and Equipment										
Workshop Plant & Equipment	12,770,197	230,940	(328,743)	12,672,394	9,190,239	(276,874)	584,991	9,498,356	3,174,037	3,579,957
Construction Equipment	20,000		(20,000)	•	47,686	(20,000)	2,314	•	•	2,314
Other Office Equipment & Tools	553,201			553,201	373,141			373,141	180,060	180,060
Total D	13,373,398	230,940	(378,743)	13,225,595	9,611,066	(326,874)	587,305	9,871,497	3,354,098	3,762,332
Group E: Intangible Assets										
Computer Software	3,075,066	827,976		3,903,042	756,789		476,407	1,233,196	2,669,846	2,318,277
Grand Total (A+B+C+D+E)	1,823,045,376	1,428,436,249	(26,502,994)	3,224,978,628	879,220,415	(16,313,153)	103,591,569	966,498,830	2,258,479,798	943,824,957
Total Asset BPC Funded	1,531,665,300	1,415,853,516	(26,502,994)	2,921,015,823	787,412,867	(16,313,153)	91,952,018	863,051,731	2,057,964,091	744,252,433
Total Asset Grant Aided	291,380,072	12,582,733	•	303,962,804	91,807,548	•	11,639,551	103,447,099	200,515,706	199,572,524
Revalued Asset:										
Land	215,114,088		(2,256,208)	212,857,880				1	212,857,880	215,114,088
Building	37,950,988		(1,558,384)	36,392,604				ı	36,392,604	37,950,988
Power Plant & Machinery	235,569,589		(9,484,474)	226,085,115				1	226,085,115	235,569,589
Revalued Total Asset	488,634,665	1	(13,299,065)	475,335,599	1	1	1	1	475,335,599	488,634,665
Grant Total with revalued accet	2 311 680 040	1 428 436 249	(39 802 059)	3 700 314 227	879 220 415 (16 313 153)		103 591 569	966 498 830	2 733 815 397	1 432 459 625
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			1		(>==((>					

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FINANCIAL STATEMENTS 2015

Work in Progress

Schedule No. 6
(in NPR)

Particulars	2071/72	2070/71
A: Capital Work in Progress:		
BPC New Office Building	23,430,991	4,103,325
Infrastructure Facility	146,335	146,335
Staff Quarters	-	39,556
Sub Total	23,577,326	4,289,216
B: Project Work in Progress:		
Andhikhola Upgrading	-	1,162,221,251
Lower Manang Marshyangdi HEP	152,728,582	149,605,446
Chino Khola SHP	3,059,754	45,200
Consultancy Expenses (Software)	-	313,500
Sub Total	155,788,336	1,312,185,397
Total	179,365,662	1,316,474,613

Investment in Shares Schedule No. 7 (in NPR)

2070/71 A: Shares are at Cost Price **Himal Power Limited** 434,931,461 434,931,461 Nepal Hydro & Electric Limited 71,580,000 71,580,000 Hydro Lab (P) Limited 1,000,000 1,000,000 Khudi Hydropower Limited 50,400,000 50,400,000 Khudi Hydropower Limited (Preference Share) 57,600,000 57,600,000 **BPC Services Limited** 10,000,000 10,000,000 Nyadi Hydropower Limited 353,980,000 243,050,000 Jumdi Hydropower Co. Limited 639,500 639,500 Kabeli Energy Limited 26,000,000 54,000,000 Hydro-Consult Engineering Limited 9,422,800 9,422,800 **Gurans Energy Limited** 83,280,000 16,600,000 **Gross Investment** 949,223,761 1,098,833,761 Less: Provision Khudi Hydropower Limited (5,342,873) (22,903,008) **BPC Services Limited** (769,298) Kirne HEP (41,566,507) **Gurans Energy Limited** (5,306,018) (4,340,150) **Total Provision** (10,648,891) (69,578,963) **Net of Provision** 1,088,184,870 879,644,799

Loans & Advances

Schedule No. 8

Particulars	2071/72	2070/71
B: Advance/Investment toward Share		
Khudi Hydropower Limited	-	20,350,000
Nyadi Hydropower Limited	9,035,500	55,550,000
Keton Hydropower Co. Limited	-	-
Hydro-Consult Engineering Limited	-	-
Kirne HEP	-	41,566,507
Kabeli Energy Limited	245,879,257	224,979,257
Total	254,914,757	342,445,764

Stocks

Schedule No. 9 (in NPR)

Particulars	2071/72	2070/71
General Stock/Office Supplies/Consumer Service Item	5,933,118	11,792,639
Stock of Electric Goods	3,422,781	3,465,732
Power House Equipment	37,487,881	26,253,686
T/L & D/L Stock	10,332,232	8,866,212
Steel Stock	146,655	180,756
GI Fittings	76,603	138,163
Vehicle Spareparts	11,118	120,668
Other Stock	10,722,757	6,094,131
Total	68,133,145	56,911,987

Debtors & Accounts Receivable

Schedule No. 10 (in NPR)

Particulars	2071/72	2070/71
Sundry Debtors	870,619	697,415
Nepal Electricity Authority	81,296,622	55,616,694
Local Consumers	9,493,316	9,559,898
Other Receivables	372,914	3,018,698
Accrued Interest	82,782,402	64,309,738
Sulav Co-operative Society Limited	-	20,340
VAT Receivable	45,373	1,938,078
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	22,296	11,777,996
BPC Services Limited	1,556	6,698,546
Nyadi Hydropower Limited	700,462	53,736,064
Kabeli Energy Limited	130,357,908	128,574,188

Cash in Hand and at Bank

Total

Schedule No. 11

335,947,655

305,943,468

Particulars	2071/72	2070/71
Office Cash	238,510	155,323
Current Bank A/c	10,898,172	10,945,950
US Dollar A/c	987,813	1,185,556
Call/Time/Fixed Deposit	65,641,485	184,286,740
Cheques in Hand	385,521	-
US Dollar Deposit	7,615,828	5,465,037
Total	85,767,329	202,038,606

FINANCIAL STATEMENTS 2015

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Schedule No. 12

Particulars	2071/72	2070/71
Advance Income Tax	68,253,966	18,570,023
Loan & Advance to Staff	413,003	292,371
Gratuity Fund in CIT	117,237,653	109,016,841
Deposits (Others)	740,750	879,550
Various Advances	14,164,193	12,195,483
Prepaid Expenses	311,646	327,962
SCP Hydro International, Canada	-	4,639,481
Andhikhola Upgrading Project Advances/Deposits	-	34,968,450
L/C Related Advances	5,989,650	100,726
Deposit against Tax Administrative Review	-	101,992,910
Government Deposits	4,000,000	6,966,000
Total	211,110,861	289,949,797

Creditors & Accounts Payable

Schedule No. 13

Particulars	2071/72	2070/71
Sundry Creditors	67,755,618	80,152,725
Gratuity Fund Payable	128,910,381	119,542,961
Bonus Payable	10,764,191	5,711,372
Loyalty Bonus Fund	-	-
Retention Payable	55,050,734	12,107,630
Andhikhola Upgrading Project Payable/Retention	-	67,879,840
Audit Fee Payable	273,460	273,460
Royalty Payable	23,783,386	30,636,392
TDS Payable	2,485,402	3,994,793
Dividend Payable	25,614,439	20,805,191
Employees Accounts Payable	8,982,187	8,776,320
Contribution to PM's Relief Fund	418,449	-
Welfare Fund Clearing A/C	376,970	2,191,240
CIT Clearing A/C	-	-
PF Clearing A/C	-	-
Subsidiaries and Joint Venture:		
Nepal Hydro & Electric Limited	17,322,697	9,660,052
Hydro-Consult Engineering Limited	510,040	2,514,659
Total	342,247,954	364,246,635

Advance & Deposit Received

Schedule No. 14

Particulars	2071/72	2070/71
Customer Deposit	3,050	49,897
Security Deposit	784,142	478,560
Advance Received from DDC and VDC	7,950,173	1,762,880
Scholarship Fund	-	203,600
Miscellaneous Deposits	42,236	40,136
Advance Received from NTC	23,715,523	-
Total	32,495,124	2,535,073

Provisions

Schedule No. 15

Particulars	2071/72	2070/71
Corporate Tax for the Year	-	-
Corporate Tax for 2060/61	113,506	16,774,216
Corporate Tax for 2067/68	5,618,088	
Provision for Expenses	9,348,970	8,617,075
Provision for Doubtful Debt	-	20,340
Total	15,080,564	25,411,631

Electricity Sale to Consumers

Industrial Consumers etc.

Schedule No. 16 2071/72 2070/71 **Metered Consumers** 96,184,866 90,855,193 **Unmetered Consumers** 188,392 255,655

User's Organization 1,196,732 1,530,027 Total 114,588,769 108,509,858

Electricity Services - Income

Schedule No. 17

15,868,983

17,018,779

Particulars	2071/72	2070/71
Fee and Charges	1,782,334	1,531,540
Sale of Meter/Cutout & Accessories	4,464,268	4,767,252
Total	6,246,602	6,298,792

Generation Expenses

Schedule No. 18

		(1111111)
Particulars	2071/72	2070/71
Electricity Purchase	105,122,961	130,632,070
Staff Cost	41,401,915	33,982,367
Office Overhead	11,278,299	5,460,756
Vehicle Operation & Maintenance	1,935,731	1,376,124
Environment, Community & Mitigation	5,955,931	3,636,500
Consultancy Expenses	-	3,538,282
Mitigation (River Training)	5,000,000	11,161,144
Power Plant Operation & Maintenance	19,125,819	26,261,909
Insurance	6,642,555	5,450,696
Royalty	51,789,160	39,780,748
Transmission Line Repair & Maintenance	411,280	320,660
Expenses Written Off	113,616	183,410
Total	248,777,267	261,784,666

Distribution Expenses

Schedule No. 19

Particulars	2071/712	2070/71
Staff Cost Staff Cost	36,619,256	34,450,147
Office Overhead	4,612,337	4,555,769
Vehicle Operation & Maintenance	1,551,747	1,751,477
T/L Maintenance	630,641	220,621
D/L Network Operation & Maintenance	15,308,927	13,350,668
Subsidy on sales of meter	92,865	191,025
Cost of Sale	4,748,044	4,928,182
Insurance	386,128	439,238
Royalty	5,648,915	2,855,644
Expenses Written Off	169,111	63,808
Total	69,767,971	62,806,579

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Administrative Expenses

Schedule No. 20 (in NPR)

Particulars	2071/72	2070/71
A: CEO's Remuneration and Expenses	3,410,351	1,207,200
B: Staff Cost:		
Salary	20,752,380	22,143,857
Allowance	15,864,792	17,055,595
Provident Fund	2,193,407	2,029,837
Paid Leave	3,867,980	1,909,655
Daily Wage	131,271	16,452
Overtime	709,291	767,579
Gratuity	5,329,920	8,173,833
Insurance	578,762	587,503
Festival Allowance	1,752,720	1,765,504
Performance Allowance	3,645,829	2,909,473
Compensation on Death	238,488	<u>-</u>
Sub-total	55,064,840	57,359,288
C: Office Overhead:		
General Office Overhead	16,095,807	31,709,853
Training and Development	3,919,790	3,128,584
CSR Expenses	50,590	338,929
External Audit Fee and Expenses	464,418	481,691
Internal Audit Fee and Expenses	565,701	682,537
ISO and Other Audit Fee and Expenses	-	1,559,437
Board Meeting Expenses	1,571,309	1,358,396
AGM Expenses	422,993	351,107
Consultancy Expenses	3,001,441	3,227,880
Out Sourcing Service	1,166,160	1,244,086
Legal Expenses	408,540	840,197
Share Registrar/Related Expenses	813,695	1,604,876
Insurance and Property Taxes	2,206,407	2,313,980
Communication Expenses	2,314,584	2,191,127
Travel/Daily Allowance	4,203,034	3,086,923
Employees Welfare	859,711	1,056,246
Write Off Expenses	175,119	612,893
Bad Debt Expenses	278,000	-
Overhead Charged to Projects	(3,740,208)	(6,055,261)
Sub-total	34,777,091	49,733,481
Total Administrative Expenses	93,252,282	108,299,969

Provision of Loss/(Income) in Investment

Schedule No. 21

1 Tovision of Loss/(meome/ in investment		(III NPK)
Particulars	2071/72	2070/71
Khudi Hydropower Limited	(17,560,135)	(9,179,622)
Kirne HEP	-	(675,200)
BPC Services Limited	(769,298)	545,753
Guras Energy Limited	965,868	4,340,150
Total	(17,363,564)	(4,968,919)

Schedule No. 22 **Other Income**

Other medilie		(III NPK)
Particulars	2071/72	2070/71
Housing Services	75,891	63,707
Guest House Income	108,230	110,045
Income from Other Sources	37,393,924	8,966,199
House Rent	2,848,140	2,623,727
Equipment on Hire	-	50,000
Total	40,426,185	11,813,678

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

Cch	adı	مار	Nο	23

		(111111)
Particulars	2071/72	2070/71
Sale Proceed of Stock Materials	8,140,213	3,346,491
Less: Cost of Stock Materials	(8,140,213)	(3,346,491)
Gain/(Loss) on Sale of Assets/Scrap Materials	(624,225)	2,277,008
Total	(624,225)	2,277,008



Schedule No. 24

Significant Accounting Policies and Notes Relating to the Annual Account *For the Fiscal Year 2071/72 (2014/15)*

1. Background

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

The financial statements apply to the financial year ended 31st Ashadh 2072 (16th July 2015).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on November 22, 2015 (Mangsir 6, 2072). The Board of Directors acknowledges the responsibility of preparation of financial statements.

2. Basis of Presentation

BPC's financial statements are prepared in

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

3. Use of estimates

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

4. Summary of Significant Accounting Policies

A. CAPITALIZATION OF FIXED ASSETS

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

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

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

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

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

B. DEPRECIATION AND AMORTIZATION

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

C. GRANT AID IN RESERVE

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

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

D. INVENTORY

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

E. FOREIGN CURRENCY

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

F. ON-GOING CONTRACTS AND PROJECTS

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

G. RETIREMENT BENEFITS

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

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

H. PROVISION FOR EMPLOYEE BONUSES

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



I. DIVIDEND INCOME

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

J. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

K. IMPAIRMENT OF ASSETS

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

L. DIVIDEND AND PROPOSED BONUS SHARES

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

5. Notes to the Accounts

A. PAID-UP SHARE CAPITAL

After Privatization on 15 Magh, 2059 (29 January, 2003) and following the right share issue in the ratio of 3:2 on Baisakh 2071, M/s Shangri-La Energy Limited is BPC's majority shareholder with shareholdings of 69.73%. As per the provisions of the Share Sale and Purchase Agreement, Government of Nepal (GoN) issued 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained 9.19% shareholding. Similarly, shareholdings of IKN Nepal AS, United Mission to Nepal, NEA and NIDC comprise 6.12%, 1.69%, 1.07% and 0.06% respectively. The company is listed and is traded in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). Total paid up capital as on Asadh end 2072 stands at NPR 1,673,222,700. The company has not yet initiated auction process for the renounced right shares held in the name of United Mission to Nepal. Share premium of NRs. 11 million has been received from the sale of renounced right shares of public shareholders. The closing market price of the share, as on balance sheet date was NPR 617/- per share. The face value is NPR 100/- per share.

B. GRANT AID IN RESERVE

The depreciation on grant aided assets for the year of NPR 11,639,551 has been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation (in NPR)	Closing Balance (in NPR)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	10,106,515
UMN PCS contributions for rural electrification	1,594,519	20,303,060
USAID grant for rural electrification	1,388,873	11,477,357
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	12,458,876
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	353,361	6,188,772
NFMA Support for Rural Electrification Expansion Project	4,165,917	83,309,419
Local VDC/Community	2,133,984	56,671,707
Total Grant Aid in Reserve and Assets	11,639,551	200,515,706

C. INVESTMENTS, ASSOCIATES, SUBSIDIARIES AND JOINT VENTURE

i. Investment in Shares

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

Name of company	No. of shares	Unit rate (in NPR)	Face value (in NPR)	Cost price (in NPR)	Holding (%)
Himal Power Limited	2,978,502	100	297,850,200	434,931,461	16.88
Nepal Hydro & Electric Limited	715,800	100	71,580,000	71,580,000	51.3
Khudi Hydropower Limited	504,000	100	50,400,000	50,400,000	60
Khudi Hydropower Limited (Preference Share)	576,000	100	57,600,000	57,600,000	-
Nyadi Hydropower Limited	3,539,800	100	353,980,000	353,980,000	97.22
Kabeli Energy Limited	260,000	100	26,000,000	26,000,000	26
Hydro-consult Engineering Limited (Previously HCPL)	94,228	100	9,422,800	9,422,800	80
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Hydro Lab (P) Limited	10,000	100	1,000,000	1,000,000	10.73
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	1.06
Gurans Energy Limited	832,800	100	83,280,000	83,280,000	40

Fair Value of the Investments

The fair market value of the BPC's investment in shares in its subsidiaries and associates on equity basis as on balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NPR 367.71 million has been identified as on balance sheet date. This surplus is not recognized in the financial statement.

Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057(5 July, 2000). HPL was established on 2049/11/10(21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energi AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are Statkraft, BKK and BPC. HPL sold NPR 3.973 billion worth of electricity in FY 2071/72 and has a net worth of NPR4.817 billion.



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

Nepal Hydro & Electric Limited

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

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

The turnover of the company in FY 2071/72 was NPR 379.70 million and its net worth is NPR 251.10 million.

Khudi Hydropower Limited

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

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

KHL sold NPR 100.66 million worth of electricity in FY 2071/72 and its net worth as of 31Ashad 2072 was NPR 157.75 million.

Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established

to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO. BPC is planning to hold 56% shareholding by divesting remaining shares to other partners. Discussions are going on with other partners in this regard. The project has optimized installed capacity at 30 MW. The PPA has been concluded with NEA and the process of financial closure with Everest Bank Limited led consortium is in progress.

Kabeli Energy Limited

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

Hydro-Consult Engineering Limited

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL.

Its turnover in FY 2071/72 is NPR 87.88 million and its net worth stood at NPR 56.43 million before dividend.

BPC Services Limited

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

BPCSL's turnover in FY 2071/72 is NPR 0.195 million and its net worth is NPR 13.81 million.

Hydro Lab Private Limited

Hydro Lab Private Limited was established in 2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by

conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi and others.

The turnover of Hydro Lab in the fiscal year 2071/72 was NPR 20.35 million. At the end of the fiscal year its net worth stood at NPR 79.62 million.

Jumdi Hydropower Private Limited

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

Gurans Energy Limited

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 83.28 million in the shares of GEL till the end of FY 2071/72. The initial joint venture pipeline includes interests in the following advanced projects:

 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. Nyadi is a 30MW run-of-river hydro power plant with an estimated capacity factor of 67% with an estimated capital cost of US\$ 59.18 million.

ii. Provision for Loss/Income in Investment

Provision for loss was made in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements in compliance with NAS. This year, the accumulated loss in Khudi Hydropower Limited and BPC Services Limited is decreased by NPR 17,560,134 and NPR 769,298 respectively. On the contrary, accumulated losses in Gurans Energy Limited however increased by NPR 965,868. This has resulted increase in income by NPR 17,363,564.

D. CASH IN HAND AND AT BANK / BANK OVERDRAFT

Cash in hand and at Banks include short-term time deposits amounting to NPR 50.3 million maintained at Nepal SBI Bank Limited. These deposits are maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.

Cash at banks also include foreign currency balance of US\$ 55,388. The overdraft/bank loan facility from banks has been obtained against the security of Jhimruk generation revenue and assets and company's corporate guarantee.

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

Particulars	kWl	Amount (in NPR)
Total electricity generation	18,121,236	5 -
Total sales	32,777,948	3
Sale to NEA	9,899,404	43,506,614
Sale to local consumers	22,878,544	83,157,950
Internal consumption	246,887	7 -
Transit loss	3,723,259	-
Purchase from NEA	(18,626,858) (97,438,293)



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

Particulars	kWh	Amount (in NPR)
Total electricity generation	76,429,752	-
Total sales	72,248,423	-
Sale to NEA	67,820,554	358,849,667
Sale to local consumers	4,427,869	31,430,819
Internal consumption	199,978	-
Transit loss	2,842,129	-
Purchase from NEA	(1,467,660)	(7,684,668)

G. MANAGEMENT AND TECHNICAL SUPPORT EXPENSES

With effect from FY 2069/70 BPC has followed the policy not to charge management and technical support services fees to subsidiary project companies Kabeli Energy Limited (KEL) and Nyadi Hydropower Limited (NHL) as substantial technical support from BPC is not required and also to comply the clause 10.11 of the share purchase agreement between Gurans Energy Limited (Joint venture of BPC and InfraCo Asia, Development, Singapore) and Butwal Power Company Limited.

H. ADMINISTRATIVE EXPENSES

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

I. DIVIDEND INCOME

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

Name of Company	US Dollar	Equivalent NPR
Himal Power Limited	4,326,572	429,412,291
BPC Services Limited		1,900,000
Hydro-Consult Engineer-		1,790,332
ing Limited		
Total		433,102,623

J. PROVISION FOR CORPORATE TAX

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

Particulars	Taxable income	Tax provision
Hydropower Income/(loss)	(112,159,268)	-
Other Income/(loss)	(25,088,318)	-
Total	(137,247,586)	-

K. TRANSACTIONS WITH RELATED PARTIES

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

Name of transaction party	Amount (in NPR)	Items/Services procured
Mercantile	655,514.46	Internet and
Communications (P) Ltd		VSAT Service
Syakar Trading Co. Pvt.	23,029.97	Vehicle repair
Ltd.		Maintenance

L. THOSE CHARGED WITH GOVERNANCE

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

Mr. Padma Jyoti	- Chairman
Mr. Pradeep Kumar Shrestha	- Director
Mr. Rajib Rajbhandari	- Director
Mr. Bijaya Krishna Shrestha	- Director
Mr. Ratna Sansar Shrestha, FCA	- Director
Mr. Shyam Kishor Yadav	- Director
Mr. Chandi Prasad Shrestha	- Director
Mr. Divakar Vaidya	- Director
Mr. Nabin Raj Singh	- Former Director
Mr.Bijay Bahadur Shrestha	- Alt. Director
Mr. Sanjib Rajbhandari	- Alt. Director
Mr. Om Prakash Shrestha	- Alt. Director

M. KEY MANAGEMENT PERSONNEL

Mr. Uttar Kumar Shrestha - Chief Executive Officer Note: Mr. Uttar Kumar Shrestha has been appointed as CEO effective from 15th May 2014.

N. COMPENSATION TO CEO

Categories	Amount in NPR
Regular employee benefits	3,410,351

O. EXPENSES INCURRED FOR THOSE CHARGED WITH GOVERNANCE OF THE COMPANY

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

(in MPR)

	(1111111)
Nature of expenses	Current Year
Meeting Allowances	605,000
Telephone, Mobile & Newspapers/	546,000
Magazines	

P. TRANSACTION WITH SUBSIDIARIES

Following transactions were carried out with the subsidiary companies:

Transaction with	Purchase (in NPR)	Sale (in NPR)	Advance (in NPR)	Receivable (Payable) in (NPR)
Nepal Hydro & Electric Ltd.	50,026,544	48,697	-	(17,322,697)
Khudi Hydropower Limited	-	-	-	22,296
BPC Services Limited	-	-	-	1,556
Nyadi Hydropower Limited	-	-	9,035,500	700,462
Hydro-Consult Engineering Limited	2,732,312	-	-	(510,040)
Kabeli Energy Limited	-	-	245,879,257	130,357,908
Total	52,758,856	48,697	254,914,757	113,249485

Q. PROVISION FOR HOUSING FACILITIES

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

R. REEP AND THE JDMP PROJECT UNDER FINANCIAL SUPPORT OF NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

BPC signed an agreement with the NMFA on 30 November, 2006, to avail the Norwegian Government's support for rural electrification and for the mitigation of the impact of diverting water to the Jhimruk power plant at downstream areas. The contract was extended until January 2014 and the projects were successfully completed within due course of time and closed accordingly by February 2014.

S. CONTINGENT TAX LIABILITY

Long pending tax issue relating to Section 57 of Income tax has been resolved along with the receipt of final assessment order issued by LTPO on 2072/3/31 with taxable income of Rs. 52.58 million and tax liability of Rs. 35.09 million including special fees. Similarly, regular tax cases of BPC pertaining to FY 2059/60 (2059/10/15 to 2060/3/32) and FY 2060/61, pending with Revenue Tribunal (RT) since 2067/11/6, has also been settled through Tax Settlement Commission (TSC) on Ashwin 22, 2072.

The tax assessment for fiscal year 2067/68 has been completed.

T. DEFERRED TAX

Deferred tax is calculated as per Nepal Accounting Standard (NAS). The liability of NPR 23.86 million arises from the calculation of deferred tax because of temporary timing differences has been shown in the balance sheet separately as deferred tax liabilities. Similarly, deferred tax expenses amounting to NPR 15.90 have been recognized in this Fiscal Year. Tax rate at 18% have been applied for computing deferred tax for hydro related activity while tax rate at 25% is applied for normal activity. The computation table is as follows;



(NPR in million)

Particulars	Carrying Amount	Tax Base	Diff. Asset/ (Liability)	Tax Rate	Deferred tax Asset / (Liability)
WDV of Depreciable Assets (HO)	240.05	246.30	6.25	25%	1.56
WDV of Depreciable Assets (Hydro power)	1,951.22	1,637.47	(313.75)	18%	(56.47)
Provisions (HO)	14.20	-	14.20	25%	3.55
Provisions (Hydropower)	5.79	-	5.79	18%	1.04
Unused tax losses (HO)			25.09	25%	6.27
Unused tax losses (Hydro power)			112.16	18%	20.19
Total Closing Balance as on July 16, 2015			(150.26)		(23.86)
Opening balance of Deferred tax Assets / (Liability)					(7.96)
as on July 16, 2014					()
Deferred tax expenses for the year					15.90

U. CAPITAL COMMITMENTS

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

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

BPC's part of capital commitment on this project is NPR 1100 million for overall 55% shareholding of which BPC has invested NPR 487 million as on reporting date.

ii. 30-MW Nyadi Hydropower Project

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

BPC's part of capital commitment on this project is NPR 913 million for overall 62% shareholding after set aside for locals/public and other promoter groups; of which BPC has invested NPR 356 million as on reporting date.

iii. 100-MW Lower Manang Marsyangdi Hydropower Project

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

V. CAPITALIZATION OF ANDHIKHOLA HYDROELECTRICITY PROJECT 9.4 MW

Andhikhola Hydroelectricity 9.4 MW Project started 5 years back has been successfully completed effective from 5th April, 2015 (22nd Chaitra, 2071), the Commercial Operation Date (COD). Total capitalized value of the project stood at NPR. 1,389,501,018.72 (One Billion Three Hundred Eighty Nine Million Five Hundred One Thousand Eighteen Rupees and Paisa 72/100 only).

W. TENURE OF THE LICENSE OF EXISTING POWER PLANTS

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

X. EVENT AFTER THE BALANCE SHEET DATE

Proposed Dividend

The board of directors has proposed 20% cash dividend on paid up capital from the net profit of the fiscal year 2071/72. The total amount of dividend NPR 334.6 million shall be payable after the approval of 23rd Annual General Meeting. This dividend is declared after the balance sheet date but before the financial statements are authorized for issue, and thus not recognized as a liability at the balance sheet date as per the NAS – 5 (12).

Y. ROUNDING OFF

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

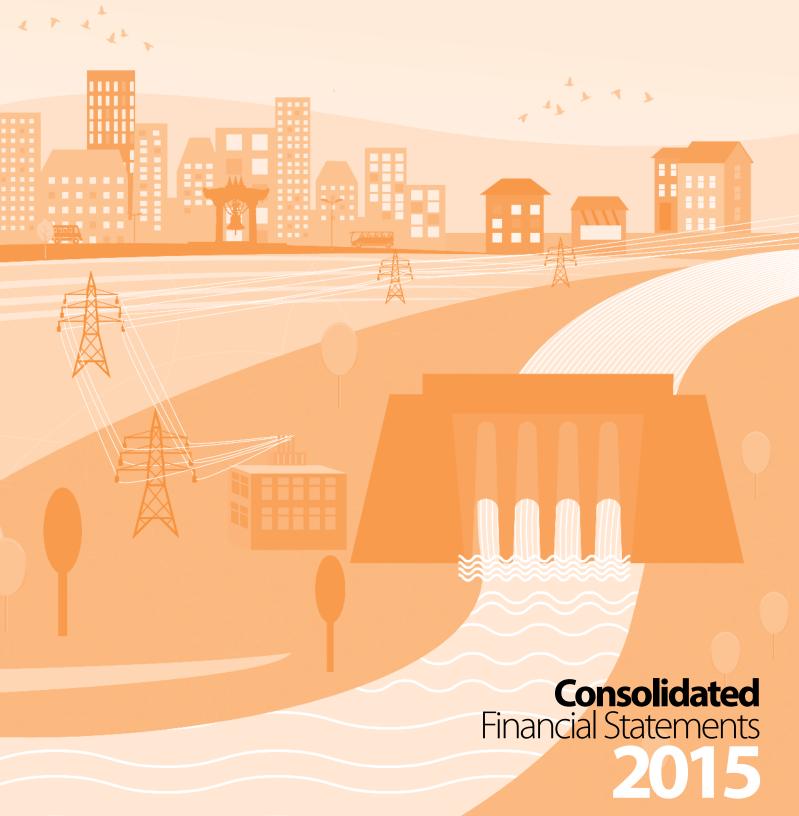
Z. RECLASSIFICATION

Following figures are reclassified in comparative financial statement of F/Y 2070/71.

Head	Earlier	Re-classed	Reasons
Investment in Shares	1,222,090,563	879,644,799	
Loans and Advances	-	342,445,764	
Total	1,222,090,563	1,222,090,563	
General Office Overhead	31,764,889	31,709,853	Better Presentation
Vehicle O & M Expenses	-191,740		
Union Expenses	136,704		
Total	31,709,853	31,709,853	•







S. R. PANDEY & Co.

Chartered Accountants

Radha Krishna Marga, New Baneshwor

P.O. Box No. 2343

Kathmandu, Nepal

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e-mail: srpandey@wlink.com.np

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

 We have audited the accompanying consolidated financial statements of Butwal Power Company Ltd., which comprise the Consolidated Balance Sheet as at Ashad 31, 2072, (July 16, 2015) and the related, Consolidated Income Statement, Consolidated Statement of Change in Equity, Consolidated Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the

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

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

Opinion

4. In our opinion, except to the fact that the consolidated financial statements have been prepared from the unaudited financial statements of Kabeli, Nyadi, Nepal Hydro Electric, Khudi and Hydro Consult Ltd. and the effect that they can have in consolidated financial statements after it being audited, the accompanying consolidated financial statements give a true and fair view, in all material respects the consolidated financial position of Butwal Power Company Limited, as at Ashad 31, 2072 (July 16, 2015), and of the results of its financial performance and its cash flows for the year then ended in accordance with relevant practices.

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

CA. Sudarshan Raj Pandey Senior Partner

Place: Kathmandu Date: Mangsir 21, 2072

Butwal Power Company Limit

Consolidated Statement of Financial Position

As of Ashadh 31, 2072

	in Thousand:	

	North London	A C A . I II . A	(All Amounts in Thousands
	Particulars	As of Ashadh 31, 2072	As of Ashadh 32, 2071
1	EQUITY & LIABILITIES		
1.	Shareholder's Fund		
(a)	Share Capital	1,673,223	1,673,223
(b)	Reserve & Surplus	1,810,347	1,589,315
2.	Non Controlling Interest	226,677	177,937
	Total Shareholder's Fund	3,710,247	3,440,475
3.	Non-Current Liabilities		
(a)	Grant Aid in Reserve	200,516	199,573
(b)	Other Funds	10,237	9,105
(c)	Mid Term & Long Term Debt	985,193	1,084,965
(d)	Advance Toward Share Capital	96,600	1,250
(e)	Deferred Tax Liability	23,859	7,963
	Total Non-Current Liabilities	1,316,405	1,302,855
4.	Current Liabilities		
(a)	Creditors & Other Payables	890,269	681,682
(b)	Short-term Loan	184,022	295,026
(c)	Advance & Deposit received	44,599	10,079
(d)	Provisions	71,801	72,910
	Total Current Liabilities	1,190,692	1,059,697
	Total	6,217,344	5,803,028
II	ASSETS		
1.	Non-Current Assets		
(a)	Goodwill	-	-
(a)	Net Property, Plant & Equipment	3,282,176	2,005,607
(b)	Assets Held for Sale	3,170	3,170
(c)	Work in Progress	1,113,797	2,121,095
(d)	Non-Current Investments	448,722	409,559
(e)	Investment in Associates	50,374	13,580
(f)	Deferred Tax Assets	11,395	10,093
	Total Non-Current Assets	4,909,633	4,563,104
2.	Current Assets		
(a)	Cash in Hand and at Bank	193,820	243,149
(b)	Advances & Deposits	349,325	364,622
(c)	Debtors & Accounts Receivable	620,156	495,068
(d)	Inventories	144,409	137,085
	Total Current Assets	1,307,710	1,239,924
	Total	6,217,344	5,803,028

Radheshyam Shrestha Vice President- Finance **Uttar Kumar Shrestha** Chief Executive Officer As per our report of even date

SR Pandey & Co. Chartered Accountants

Date: Mangsir 21, 2072 **Place:** Kathmandu, Nepal



Consolidated Statement of Profit and Loss Account

As of Ashadh 31, 2072

			(All Amounts in Thousands	
	Particulars	For the year ended	For the year ended	
	Revenue from Operations	Ashadh 31, 2072 1,038,815	Ashadh 32, 2071	
1	Total Revenue	1,038,815	931,706 931,706	
•	Expenses	1,036,613	931,700	
	•	606 666	679 140	
	Power Plant Expenses/Direct Expenses	606,666	678,149	
	Administrative Expenses	190,639	193,732	
	Depreciation Expenses	142,259	127,066	
	Amortisation Expenses	1,110	4,357	
	Interest Expenses	67,355	89,056	
	Other Expenses	(17,364)	(1,883)	
II	Total Expenses	990,664	1,090,476	
	Income from other Sources			
	Interest Income	10,880	9,211	
	Other Income	54,889	11,907	
	Depreciation Being Revenue Portion of Grant Aid	11,640	11,506	
	Dividend Income	433,103	393,615	
	Foreign Currency Exchange (Loss)/Gain	(74)	(359)	
	Non operating income	-	5,902	
	Gain(Loss) on Sale of Assets & Scrap Materials	(623)	977	
Ш	Total Income from Other Sources	509,814	432,759	
IV	Profit (Loss) Before Bonus & Tax	557,966	273,988	
	Share of Loss/(Profit) from Associates & JVs	-	(8,893)	
	Deferred Tax Expenses / (Income)	14,594	(13,715)	
	Provision for Employee's Bonus	15,052	7,686	
	Provision for Housing	1,132	-	
	Provision for Corporate Tax	9,501	3,994	
	Income Tax of Previous Years	11,242	4,905	
٧	Profit (Loss) after Tax	506,445	280,011	
	Non Controlling Interest	16,598	2,989	
VI	Profit (Loss) after Non Controlling Interest	489,847	277,022	
VII	Earnings per Equity Share (NPR)			
	(1) Basic	29.28	16.56	
	(2) Diluted	29.28	16.56	

Radheshyam Shrestha Vice President-Finance

Uttar Kumar Shrestha Chief Executive Officer

As per our report of even date

Sudarshan Raj Pandey SR Pandey & Co. **Chartered Accountants**

Date: Mangsir 21, 2072 Place: Kathmandu, Nepal

Butwal Power Company Limite

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Consolidated Statement of Cash Flow

As of Ashadh 31, 2072

(All Amounts in Thousands)

	Particulars	For the year ended Ashadh 31, 2072	For the year ended Ashadh 31, 2072
	Profit (Loss) before Bonus and Tax	557,966	273,988
	Adjustment:	, , , , , , , , , , , , , , , , , , , ,	•
	Ordinary Depreciation	132,416	116,662
	Depreciation Charged to Grant Aid in Reserve	11,640	11,506
	Foreign Currency Exchange (Gain)/Loss	(244)	359
	Interest Expenses	67,804	89,505
	Interest Income	(40,454)	(38,785)
	Dividend Income	(433,103)	(393,615)
	Provision for Expenses	(455,105)	2,405
	(Gain)/Loss on disposal of Stock/ Assets	623	(993)
	Deferred Revenue Expenses/Pre operating Expenses	-	4,191
	Profit from JV's	_	11,913
	Written off of Assets	10,190	6,429
	Reverse of other Income	(3,921)	0,425
П	Operating Profit before Working Capital Changes	302,951	83,565
	Decrease/(Increase) in Debtors & Accounts Receivable	147,273	(166,771)
	Decrease/(Increase) in Stocks	(10,770)	(33,023)
	Decrease/(Increase) in Advance & Deposit Paid	97,261	466
	Increase/(Decrease) in Creditors & Accounts Payable	(101,730)	265.297
	Increase/(Decrease) in Advance & Deposit Received	(17,404)	55,126
Ш	Cash Generated from Operations	417,580	204,659
	Interest Paid	(68,076)	(89,412)
	Foreign Currency Exchange Gain/(Loss)	244	(359)
	Bonus Paid	(7,245)	(7,590)
	Tax Paid	(56,412)	(10,652)
	Gratuity/Leave money paid	(5,850)	(4,194)
	Prior year Adjustment	(46,497)	(32,764)
$\overline{}$	Net Cash Flows from Operating Activities (A)	233,743	59,688
•	Purchase of Fixed Assets	(1,445,214)	(50,418)
	Investment in Share	(220,340)	(139,589)
	Decrease/(Increase) in Capital Work-in-Progress	1,030,323	(523,263)
	Interest Received	40,454	38,785
	Dividend Received	433,103	393,615
	Loans and Advances	87,531	373,013
	Proceeds from sales & write off of Fixed Assets	42	124
П	Net Cash Flows from Investing Activities (B)	(74,101)	(280,745)
	Increase/(Decrease) in Grant Aid in Reserve/ Fund	(74,101)	(8,257)
	Issue of share capital/Advance against share capital	233,886	657,953
	Increase/(Decrease) in Grant Aid in Reserve	943	-
	Increase/(Decrease) in Share Premium	J+3 -	11,006
	Increase/(Decrease) in Long Term Loan	(94,021)	(34,243)
	Increase/(Decrease) in Short Term Loan	(101,249)	(259,675)
	Dividend Paid	(248,530)	(172,973)
Ш	Net Cash Flows from Financing Activities (C)	(208,971)	193,811
īV	Net Changes in Cash & Cash Equivalents (A+B+C)	(49,329)	(27,246)
V	Opening Cash and Cash Equivalents	243,149	270,395
VI	Closing Cash and Cash Equivalents	193,820	243,149
	g	1,55,020	210,140

Radheshyam Shrestha Vice President- Finance **Uttar Kumar Shrestha** Chief Executive Officer As per our report of even date

SR Pandey & Co. Chartered Accountants

Date: Mangsir 21, 2072 **Place:** Kathmandu, Nepal



Consolidated Statement of Changes in Equity

As of Ashadh 31, 2072

(All	Amount	s in Ti	housar	nds
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S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As Ashadh 31, 2072
I	Balance as on 32nd Ashad, 2071	1,673,223	488,635	148,700	11,007	-	940,974	3,262,538	177,937	3,440,475
	Opening Adjustments						37,936	37,936	(508)	37,429
	Issue of Share Capital								32,302	32,302
	Revaluation Adjustment	-	(13,299)					(13,299)		(13,299)
	Dividend of FY 2070/71 paid						(250,983)	(250,983)		(250,983)
	Profit for the Year					5,564	489,847	495,411	16,598	512,009
	Capital Reserve								348	348
	Prior Year's Adjustment						(48,033)	(48,033)	-	(48,033)
II	Balance as on 31st Ashadh, 2072	1,673,223	475,336	148,700	11,007	5,564	1,169,741	3,483,570	226,678	3,710,248
S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As on Ashadh 32, 2071
I	Balance as on 31st Ashadh, 2070	1,015,269	509,177	148,700	-	-	848,524	2,521,670	176,678	2,698,348
	Opening Adjustments						24,493	24,493	54	24,547
	Revaluation Adjustment		(20,542)					(20,542)		(20,542)
	Issue of Share Capital	657,953			11,007			668,960		668,960
	Dividend of FY 2069/70 paid						(182,748)	(182,748)		(182,748)
	Profit for the Year						280,276	280,276	2,989	283,265
	Prior Year's Adjustment						(29,571)	(29,571)	(1,783)	(31,355)
II	Balance as on 32nd Ashadh, 2071	1,673,223	488,635	148,700	11,007	-	940,974	3,262,538	177,937	3,440,475

Radheshyam Shrestha Vice President- Finance

Uttar Kumar Shrestha Chief Executive Officer

As per our report of even date

Sudarshan Raj Pandey SR Pandey & Co. **Chartered Accountants**

Date: Mangsir 21, 2072 Place: Kathmandu, Nepal

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

for the Fiscal Year 2071/72 (2014/15)

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

2.2 Use of estimates

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

2.3 Consolidation

(a) Subsidiaries

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

solidated from the date on which control is transferred to the Group.

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

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

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

(b) Non Controlling Interest

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

(c) Associates

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

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

2.4 FOREIGN CURRENCY TRANSLATION (a) Functional and presentation currency

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



(b) Transactions and balances

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

2.5 PROPERTY, PLANT AND EQUIPMENT

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

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

2.6 INTANGIBLE ASSETS

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

2.7 OFFSETTING CURRENT ASSETS AND LIABILITIES

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

2.8 CASH AND CASH EQUIVALENTS

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

2.9 SHARE CAPITAL

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

2.10 BORROWINGS

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

Fees paid on the establishment of loan facilities are recognised as transaction cost of the loan.

2.11 REVENUE RECOGNITION

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

(a) Rendering of services

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

(b) Interest income and expenses

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

(c) Dividend income

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

2.12 DIVIDEND DISTRIBUTION

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

2.13 FIGURES OF THE PREVIOUS YEAR AND ROUNDING OFF

The figures of the FY 2070/71 have been regrouped and reclassified wherever necessary to make comparison with the figure of FY 2071/72. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Statement of Financial Position of BPC Subsidiaries

As on 31st Ashad 2072 (16th July 2015)

						(in NPR)
Particulars	Khudi	Nyadi	Kabeli	NHE	BPCSL	Hydro Consult
SOURCES OF FUND						
Share Capital						
Equity Share Capital	84,000,000	364,102,000	95,969,947	139,530,000	10,000,000	11,778,500
Preference Share Capital	81,650,000	-	-	_	-	-
Reserve & Surplus	(8,737,952)	-	-	85,959,815	3,805,876	44,655,119
Total Shareholder's Fund	156,912,048	364,102,000	95,969,947	225,489,815	13,805,876	56,433,619
Non Current Liabilities						
Other Funds	-	-	-	10,236,677	-	-
Mid Term & Long Term Debt	219,705,069	-	_	_	-	-
Advance Toward Share Capital	-	-	101,068,909	-	-	-
Deferred Tax Liabilities	-	-	-	-	621	-
Total Non Current Liabilities	219,705,069	-	101,068,909	10,236,677	621	-
TOTAL	376,617,117	364,102,000	197,038,856	235,726,492	13,806,497	56,433,619
APPLICATION OF FUND						
Non-Current Assets						
Property, Plant Equipment:						
Gross Block	587,869,634	7,426,465	18,332,266	310,776,844	311,051	21,044,048
Less: Depreciation	204,454,830	4,962,723	6,212,662	168,222,676	221,956	13,325,342
Net Property, Plant & Equipment	383,414,805	2,463,742	12,119,605	142,554,168	89,095	7,718,706
Net Intangible Assets	-	-	-	-	-	-
Work in Progress	-	362,351,229	573,689,730	23,534,837	-	-
Investment	1,000,000	-	-	-	11,800,000	-
Deferred Tax Assets	542,231	-	-	10,517,890		334,797
Total Non-Current Assets	384,957,036	364,814,971	585,809,334	176,606,895	11,889,095	8,053,503
Current Assets						
Cash in Hand and at Bank	1,623,663	854,722	47,832,987	26,885,433	2,019,156	28,836,687
Advances & Deposits	23,331,656	1,089,089	11,264,313	82,875,264	504,470	19,149,257
Trade & Other Receivables	-	13,122,531	-	284,881,284	670	16,208,349
Inventories	-	-	41,421	76,234,502	-	-
Current Work In Progress	-	-	-	-	-	3,979,693
Total Current Assets	24,955,319	15,066,342	59,138,721	470,876,482	2,524,296	68,173,985
Current Liabilities						
Creditors & Other Payables	33,295,238	6,706,449	447,909,198	302,890,565	388,572	7,276,452
Short-term Loan	-	-	-	61,850,000	-	
Advance & Deposit received	-	9,035,500	-	-		3,068,789
Provisions	-	37,364	-	47,016,323	218,322	9,448,625
Total Current Liabilities	33,295,238	15,779,313	447,909,198	411,756,888	606,894	19,793,866
Net Current Assets	(8,339,918)	(712,971)	(388,770,477)	59,119,594	1,917,402	48,380,119
TOTAL	376,617,117	364,102,000	197,038,856	235,726,492	13,806,497	56,433,622



Statement of Profit & Loss Account of BPC Subsidiaries

For the year ended 31st Ashad 2072 (16th July 2015)

				(in NPR)
Particulars	Khudi	NHE	BPCSL	Hydro Consult
Operating Income				
Sale Revenue/ Consultancy Service	100,655,584	379,700,418	194,732	87,880,485
Total Operating Income	100,655,584	379,700,418	194,732	87,880,485
Operating Expenses				
Power Plant Expenses/ Expenses/ Cost of Sale	2,232,610	279,577,379	-	59,117,919
Total Operating Expenses	2,232,610	279,577,379	-	59,117,919
Gross Profit/ (Loss)	98,422,974	100,123,038	194,732	28,762,566
Administrative Expenses	16,963,197	69,779,951	333,044	10,310,460
Depreciation Expenses	23,237,056	13,418,274	14,978	1,997,066
Amortization Expenses	-	1,109,572		-
Interest Expenses	23,266,545	3,253,508	50,418	-
Bad Debt Written Off				-
Provision for Doubtful Debt			(3,918,344)	-
Total Administrative and Other Expenses	63,466,798	87,561,304	(3,519,904)	12,307,526
Income from Other Sources				
Interest Income	-	1,277,285	1,079,481	329,858
Other Income	121,183	9,582,943	-	840,562
Foreign Currency Exchange (Loss)/Gain	-	(785,915)	-	468,257
Non operating income	-	-	-	-
Gain(Loss) on Sale of Assets & Scrap Materials	-	966	-	-
Total Income from Other Sources	121,183	10,075,279	1,079,481	1,638,677
Profit (Loss) Before Bonus & Tax	35,077,358	22,637,014	4,794,117	18,093,717
Deferred Tax Expenses / (Income)	-	(1,301,566)	621.00	-
Provision for Employee's Bonus	687,791	1,955,015	-	1,644,883
Provision for Housing	-	1,131,851	-	-
Provision for Corporate Tax	-	5,170,500	218,322	4,112,209
Income Tax of Previous Years	-	11,241,574	-	-
Profit /(Loss) Before Appropriation	34,389,567	4,439,641	4,575,174	12,336,625
Earnings Per Share (EPS)				
i. Basic	40.94	3.18	45.75	104.74
ii. Diluted	40.94	3.18	45.75	104.74

List of Abbreviations

BPC Butwal Power Company Limited
BOOT Build, Own, Operate and Transfer
FY Fiscal year (Shrawan to Ashad B.S.)

Dol Department of Industry

DoED Department of Electricity Development

EPS Earning Per Share
GON Government of Nepal

HCE Hydro Consult Engineering Limited

HPL Himal Power Limited

IKN Interkraft AS. Norway

IRD Inland Revenue Department

JDMP Jhimruk Downstream Mitigation Project

KHL Khudi Hydropower LimitedLTPO Large Tax Payers OfficeNHL Nyadi Hydro Power Limited

NMFA Norwegian Ministry of Foreign Affairs

MOE Ministry of Energy

NEA Nepal Electricity Authority

NORAD Norwegian Agency for Development Cooperation

NPR. Nepalese Rupees

PEEDA People, Energy and Environment Development Association

PPA Power Purchase Agreement

REEP Rural Electrification and Expansion Project

SEBONSecurity Exchange Board of NepalSELShangri-La Energy LimitedUMNUnited Mission to Nepal

WIP Work in Progress



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