



Annual REPORT 2011



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

Intregated Quality & Environmental Policy

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

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

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Highlights

Financial Closure of Andhikhola Upgrading Project

**Winner of National BPA Award 2010 in Manufacturing Sector
6th time in a Row**

**Contribution of 3.3% to the total domestic hydro
generation in the country**

**Electricity Supplied to 38,000 consumers in the country
i.e 1.8% of total national consumers**

Approval of DPR of Kabeli Project by GoN

Net income increased by 47 percent



* includes 10% stock dividend

* All figures are in million in NPR unless otherwise specified

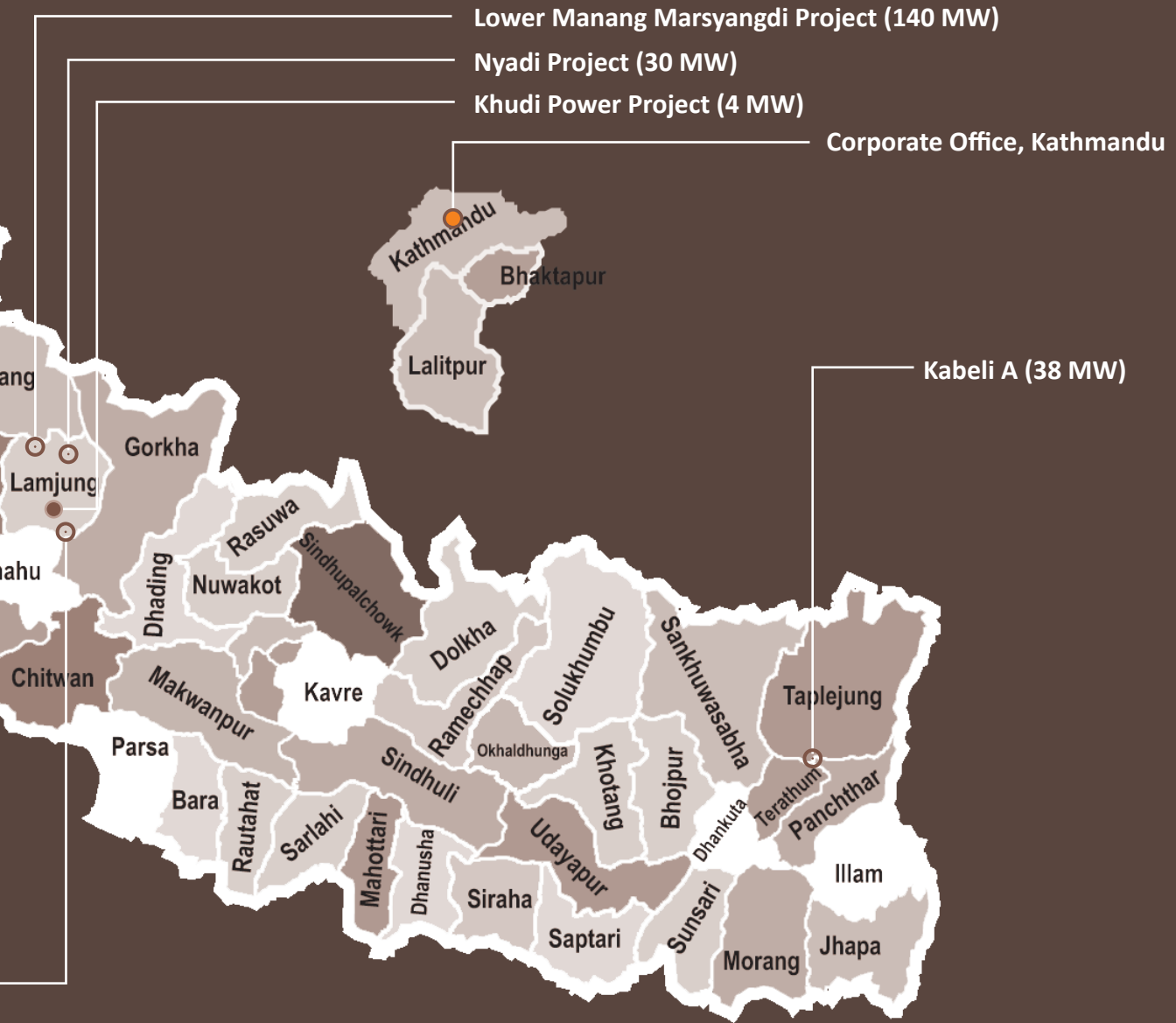


- Jhimruk Power Plant (12 MW)
- EDC, Darimchaur
- Liaison Office Butwal
- Andhikhola Power Plant (9.4 MW)*
- EDC Galyang
- Marsyandi III (43 MW)

- Distribution Area
- Existing Plant
- Office
- Under Development
- ▨ Rural Electnification

* Under Upgradation from 5.1 MW

Our Presence





Corporate Profile

BPC is the only enterprise in Nepal which can look back to a four decade long history of sustained growth in the country and a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

Butwal Power Company (BPC) stands today with more than 45 years of experience in the hydropower industry and has placed itself as one of the leaders in the nation. The core business areas of the company are generation and distribution of electricity. Through its subsidiary companies, BPC is engaged in development, operation and maintenance of hydro power plants, engineering consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants.

Pursuing the privatization process in 2003, the Government of Nepal handed over majority ownership and management control to private investor on public-private partnership model. BPC is registered with the Securities Board of Nepal and listed in Nepal Stock Exchange Limited. Starting off with electrification plan of a small city in the Southern Hills of Nepal, BPC is the only enterprise which can look back to a four decade long history of sustained growth in the country and a track record of pioneering multi-faceted capacity building initiatives in hydropower development. With its four new major projects, Andhikhola Upgrading, Nyadi, Kabeli-A and Lower Manang Marsyangdi, BPC will have installed capacity of nearly 300 MW of generation facility in the near future.

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

Name:	Butwal Power Company Limited
Registration number:	Pa. Li. No. 3-049/50
Date incorporated:	29 December, 1965 (2022/09/14 BS)
Date converted into a public limited company:	17 February, 1993 (2049/11/06 BS)
Date privatised:	3 January, 2003 (2059/09/19 BS)
Registered/Corporate office:	Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal
PAN /VAT number:	500047963
Bankers:	Himalayan Bank Limited, Nepal Investment Bank Limited, Bank of Asia Nepal Limited, Mega Bank Nepal Limited
Statutory auditors:	PP Pradhan & Co.
Internal auditors:	JB Rajbhandari & DiBins
Stock exchange listing:	Nepal Stock Exchange (NEPSE), as BPCL



The United Nations declaration of 2012 as 'International Year of Sustainable Energy for All' brings in promising prospects for Nepal.

Chairman's Message

The global infrastructure sector continued to be adversely effected through 2010, as in the last two years, which started with the 2008 global financial crisis. The same was the case in Nepal, which also had added elements of political instability and liquidity crisis. Despite such adversities, with change in leadership in our group companies, the group companies, performed better than before and are moving on the growth trajectory.

The United Nations declaration of 2012 as 'International Year of Sustainable Energy for All' brings in promising prospects for Nepal but the enabling environment needs to be created here, within the country, by all of us. Key factors to capitalize on the clean energy agenda are strong governance;

sound regulatory and fiscal policies that seek to minimize political and economic risks and encourage private investment. The government has the biggest role to play in creating investment climate and the efforts of private sector are to be complimented by public sector, in areas where commercial viability is marginal but has high social and human factor.

Nepal is crippling with energy shortage throughout the energy spectrum and hydropower has the key position in the spectrum, including replacement of fossil fuel energy sources. Hydropower is the most critical enabler in social well being and economic development of Nepal and we are proud to be a part of this sector.



Padma Jyoti
Chairman



Report from Board of Director's

Dear Shareholders

Your Board has pleasure in presenting the annual report and the audited statements of accounts of the company for the year ending July 16, 2011.

Financial Performance

The Company posted a turnover of NPR 573.9 million registering a growth of 19.6%.

The profit before bonus and tax registered an increase of 47.9% compared to previous year from

NPR 254.9 million to NPR 377.4 million. The net profit after bonus and tax increased to NPR 329.0 million from NPR 224.2 million, an increase of 46.7% from the previous year. The financial results of the company are briefly summarized below.

(in million NPR unless specified)

Particulars	2067/68	2066/67
Income from the bulk sale of electricity	408.6	387.9
Income from the retail sale of electricity and services	84.4	74.7
Income from management and technical support service	80.9	17.2
Total operating income	573.9	479.8
Operating expenses	231.6	206.7
Gross operating profit	342.3	273.1
Other income	189.3	151.3
Administrative and other expenses	154.6	169.5
Net profit	329.0	224.2
Earnings per share (in NPR)	32.4	24.3
Net worth	2,711.0	1,630.0



Standing left to right:
Sitting left to right:

Sanjib Rajbhandari, Ratna Sansar Shrestha, Anup Upadhaya,
Bijaya Krishna Shrestha, Padma Jyoti, Pradeep Kumar Shrestha



Rajib Rajbhandari, Om Prakash Shrestha, Nirmal Pradhan, Bijaya Bahadur Shrestha,

Business Operations

Generation business

The total energy generation during the FY 2067/68 was 103.6 GWh, an increase of 1.7% over the last year, with an average annual plant factor of 69.2%. In addition, BPC purchased 4.0 GWh of energy from NEA to meet local demand. Of the total energy, 107.6 GWh, 78.7% was supplied to NEA, and 18.5% fed into BPC distribution. In the fiscal year, BPC contributed about 3.3% to the total domestic hydro generation in the Integrated Nepal Power System.

Andhikhola Plant generated 36.9 GWh with a plant factor of 82.6%, which is 4.6% less than previous year's generation. The plant could not supply the full Contract Energy to NEA due to expansion of local distribution and extended dry period. Similarly, Jhimruk Plant generated 66.7 GWh with plant factor of 63.5%, which is an increase of 5.5% compared to last year.

Because of the old equipment at Andhikhola Plant and fragile 33 kV network, maximizing energy generation and sale was a challenge. During the period, the major maintenance works were repair of damaged stator & field windings of generators, runner, by-pass valve, deflector, and 6 MVA station transformer.

The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. Similarly, the main inlet valves and tailrace flap gates were also overhauled. In order to optimize the use of water for irrigation and increase the generation, rehabilitation of 19 irrigation canals downstream of the Jhimruk dam was carried out.

Distribution business

The distribution network in Syangja, Palpa, Pyuthan and Arghakhanchi districts continued to

expand as per the Rural Electrification Expansion Project. A total of 3520 consumers were added to the network.

During the FY 2067/68, the total energy purchased was 19.9 GWh, which is 13% more than the previous year. Of the total energy purchased, 16.4 GWh was sold to retail customers, and remaining 3.5 GWh and 0.07 GWh accounted for losses and internal consumption respectively. The total sale increased by 12% compared to previous year. As a continuous effort to reduce revenue loss, 947 cut-out consumers have been converted into metered consumers.

Total revenue collected this year was NPR 74.8 million, an increase of 14.0% compared to last year. Out of which NPR 60.1 million came from metered consumers, NPR 11.4 million was collected from industries, and NPR 3.4 million from cut-out consumers.

Operating Subsidiaries and Associates

Himal Power Limited (HPL) owns and operates the 60 MW Khimti Hydropower Project, which began commercial operation on July 5, 2000. HPL registered a net profit of NPR 1.5 billion in the FY 2067/68. BPC received NPR 164.3 million as dividend during FY 2067/68 from HPL. The net worth of HPL as on July 16, 2011 is NPR 6.7 billion. The Company has declared interim dividend USD 13 million for the year FY 2067/68.

Hydro Consult Pvt. Ltd. (HCPL): BPC took over Hydro Consult Pvt. Ltd. (HCPL) in 2066/67, and merged its engineering wing with it to run engineering consultancy business independently. Hydro Consult has been providing consulting services in the power, irrigation and other civil infrastructure sector. Hydro Consult is partnering with international consultants such as Bernard Engineering (Austria), Mott MacDonald (UK) and Statkraft Groner (Norway), etc. for expansion of business operations.

In the second year of operation HCPL recorded turnover of NPR 56.3 million with net profit of NPR 8.8 million and net worth stands at NPR 19.5 million.

Nepal Hydro & Electric Ltd. (NHE) is a subsidiary of Butwal Power Company (BPC). It was established in 2042 B.S. in partnership with Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute and Himal Hydro and General Construction Limited. GE Energy has sold their share to IKN Industrial which is under transfer process.

NHE manufactures and refurbishes Hydro-mechanical Equipments and is the leader in repairs of Electromechanical Equipment in Nepal. The other product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges.

The hydro-mechanical and electro-mechanical equipment manufacturing company recorded a turnover of NPR 482.7 million and registered a net profit of NPR 16.9 million, in the FY 2067/68. The net worth of NHE as of July 16, 2011 is NPR 206.1 million.

Khudi Hydropower Ltd. (KHL) owns and operates the 4MW power plant, which began its commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Khudi Hydropower Plant generated 21.8 GWh with a plant factor of 62.1%, which is 15.9% more than previous year's generation.

The energy generated by Khudi Hydropower Plant is mostly consumed in Khudi, Besisahar, Dumre, Bandipur and nearby areas. The project's biggest contribution goes towards the people of Lamjung with improved quality of electricity supply, where load-shedding has drastically reduced.

The Company generated total revenue of NPR 91.15 million in FY 2067/068, which is the highest ever and 14.4% higher compared to the previous year's revenue, however, it reported a net loss

of NPR 3.6 million in the FY 2067/68. The plant has been in continuous operation and generated energy satisfactorily based on the water flow in the river. The net worth of KHL as on July 16, 2011 is NPR 106.6 million.

Hydro Lab Pvt. Ltd. (HLPL) established in 1988 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratories at HLPL are equipped with state of the art equipments and have accumulated extensive experience in hydraulic river model studies including hydraulic structures and sediment analysis.

Hydro Lab has been working on Contract Research jobs for commercial clients as well as Research and Development activities under Norwegian Agency for Development Cooperation project based support. This year Physical Hydraulic Model Study for Upper Mai Hydropower Project and Nyadi Hydropower Project has been completed. Sediment sampling and laboratory analyses for several projects have been conducted by HLPL.

HLPL's turnover was NPR 29.3 million in the F/Y 2067/68 and it recorded a net profit of NPR 7.66 million. The net worth of HLPL as on July 16, 2011 is NPR 43.18 million.

BPC Services Ltd. (BPCSL), a wholly owned subsidiary company of BPC established in 2006, is the only company providing Operation and Maintenance Management services of power plant, distribution and transmission system in Nepal. BPCSL is also providing competent technical expertise to the companies involved in hydropower development.

The Company had a total income of NPR 2.0 million and expenses of NPR 1.7 million resulting in net profit of NPR 0.3 million in the FY 2067/68.

Jhimruk Industrial Development Center Pvt. Ltd. (JIDCO) was established in 1997 B.S in

Pyuthan District as part of BPC's corporate social responsibility initiative. JIDCO promotes skill development among the locals and it involved in various community and enterprise development programs. JIDCO's turnover was NPR 1.83 million in the FY 2067/68 and it reported a loss of NPR 4.14 million. The net worth of JIDCO as of end FY 2067/68 is NPR 7.77 million. JIDCO has achieved its objectives for which it was established.

Projects/Joint Venture Companies

Nyadi Hydropower Limited (NHL) was registered as Public Limited Company and obtained approval for commencement of business for the development of 20 MW Nyadi Hydropower Project located in Lamjung District. The project has been upgraded to 30 MW installed capacity and feasibility study and IEE have already been completed and necessary approvals obtained.

The total cost of the project is estimated to be about USD 65.5 million. The project will produce 168 GWh of energy, annually. The Power Purchase Agreement with Nepal Electricity Authority is under finalization. It is targeted to achieve the financial closure and start construction of the project by the end of 2068 BS.

NHL has spent NPR 147.3 million in this project as of FY 2067/68.

Kabeli Energy Limited (KEL), a SPV with BPC as majority shareholder, is developing 38 MW peaking run-of-river hydropower project in the Kabeli River situated in Taplejung and Panchthar Districts of eastern Nepal. The project's headwork and powerhouse are accessible by 7.5 km and 14.6 km access road respectively from Mechi highway. NEA is constructing 132 kV transmission line in the Kabeli corridor which will evacuate power from Kabeli Power Plant.

The total cost of the project is estimated to be about USD 78 million. The project will produce 201 GWh of energy, annually. KEL has executed the Project Development Agreement

with Government of Nepal for development of the project on Build-Own-Operate-Transfer (BOOT) basis. The project will be debt financed by IDA fund from the World Bank and other international and domestic financial institutes.

BPC has invested NPR 190 million in KEL as of FY 2067/68. KEL is planning to conclude PPA with NEA and financial closure in 3rd Quarter of 2068. The construction of project will commence after the financial closure and expected to be commissioned by 2071 BS.

Andhikhola Upgrading Project (AKUP) with a production license of 9.4 MW is under construction after the completion of necessary Power Purchase Agreement and financial closure. The project is being financed by International Finance Corporation (IFC) and Mega Bank Limited.

Lower Manag Marsyangdi Hydropower Project (LMMHP) is located at the southern part of Manang District. The feasibility study of the project has been completed and submitted to DoED. Detail design of the project is going on. River Model test is being carried out at Hydro Lab. Geotechnical studies has been completed and hydrological and sediment information is being collected and analysed regularly. EIA study, detail design and PPA will be completed by the end of 2012. It is planned to start the main construction works from 2013 and achieve COD by end of 2017. BPC has invested NPR 50.0 million in this project as of FY 2067/68.

Keton Hydropower Ltd. (Keton), a company established to develop the Marsyangdi-III Hydropower Project, has completed the feasibility study and IEE. The IEE is under the final status of approval at the Ministry of Energy. BPC has invested NPR 14.4 million in Keton as equity investment. Request for extension of project license has been made. Financial viability of the project is being evaluated and the Company is planning to take necessary step to address the issue as may be necessary.

Dividend

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

Rights Share

Considering the fund requirement for the projects being developed by the company, issue of right shares was approved by the 17th annual general meeting (AGM). The process for issuance of right shares in the ratio of 3:2 was initiated and is ongoing. However, due to the political and investment climate of the country, timing for issue of right shares was re-scheduled. The remaining process for issuance of right shares will be taken up and concluded in the next couple of months.

Board of Directors

There were changes in representation in the Board during the year. Shangri-La Energy Limited has nominated Mr. Bijaya Krishna Shrestha as a Director on the Board of the Company with effect from 19th October 2011 in place of Mr. Ganesh Lal Shrestha. Shangri-La Energy Limited also nominated Mr. Om Prakash Shrestha and Mr. Sanjib Rajbhandari as Alternative Directors on the Board of the Company with effect from 19th October 2011. We welcome the new Directors and extend our sincere thanks to Mr. Ganesh Lal Shrestha for his valuable contribution to the Company during his tenure.

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

Committees Audit Committee

The Audit Committee played an important role

in strengthening the internal controls and good corporate governance. The committee met periodically to assess the internal controls and processes.

Budget Committee

The Budget Committee was responsible to monitor and control the budget and scrutinize the budget proposed by the Management.

Remuneration Committee

Remuneration committee has been constituted to review the compensation packages of the employees.

Corporate Governance

BPC has adopted “corporate value framework” to ensure good corporate governance in the Company. BPC’s corporate value framework comprises of vision, mission, values; business principles and policies; corporate governance code and code of conduct and ethics.

Compliance to corporate governance standards is reported separately as Corporate Governance Report.

Management

BPC is managed by a strong team of professionals led by Chief Executive Officer, Mr. Ranjan Lohar.

There were 294 employees, 268 male and 26 female, at the end of the FY 2067/68. The Company faced an employee turnover of about 5%. BPC is making continuous effort and taking appropriate initiatives towards retaining qualified and competent employees.

List of top management and senior executives is included in the Corporate Governance Report.

Health, Safety and Environment (HSE)

With the mission to provide fulfilling work environment within the Company, BPC gives priority for HSE. During the year health base line

data has been established through a well-planned medical checkup for all employees and awareness programs on occupational health and safety has been organized. No serious injuries have been reported during the year. However, five minor injuries have been reported, which resulted in loss of 109 manhours.

In addition to ISO 9001: 2008 (Quality) and ISO 14001: 2004 (Environment) Management Systems, BPC is also seeking to get certified as OHSAS 18001 Company. We believe that OHSAS will enable the organization to manage occupational health and safety issues as an integrated part of its overall business operations by taking the organizational structure, planning activities, responsibilities, practices, procedures and resources into account for developing, implementing. It will also increase safety consciousness and efficiency in the company and enhance corporate value.

The business units have carried out the business activities in an environmental friendly manner. BPC celebrated the World Environment Day, 2011 in association with the locals for enhancing awareness on environment.

Industrial Associations and Employee Relations

BPC is associated with the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and the Independent Power Producers' Association, Nepal (IPPAN).

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

The mechanism for addressing the issues, grievances and concerns of the employees has further strengthened after appointment of the employee relation officer.

Risk Management

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

Internal Control

BPC has implemented an Integrated Quality and Environmental Management System. The internal rules, regulations and instructions are defined in line with the nature of business and need.

In addition, internal audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company's assets, financial and accounting procedures. The recommendations of the internal auditor and the decisions of the Audit Committee are implemented effectively.

Statutory Audit

M/s PP Pradhan & Co. audited BPC's books of accounts in the FY 2067/68. The auditor has issued an unqualified report on financial statement of the Company.

Shareholders' Suggestions

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

Transactions with Subsidiaries

All major transactions, which BPC undertook with its subsidiaries and associated companies, are disclosed in its financial statements for the FY 2067/68.

Hydropower and Nepal's Growth Prospect

There is a renewed focus worldwide on providing universal access to sustainable energy for all by 2030. Today 1.4 billion people are without any access to energy. A target of doubling the energy

efficiency and doubling the share of renewables in the world energy production are being discussed at the world forums including the UN. This should help countries like Nepal with vast potential for developing renewable hydropower. All stakeholders have an important role to play in harnessing the potential and benefit from the renewable resources. The private sector investment needs to scale up but the significant barriers must be overcome. The government commitment and supportive policies are vital to provide favourable investment climate,

Asia continues to be the continent with the greatest amount of water resources/hydropower development underway. A vast amount of activity is continuing in China, India, Bhutan, Iran, Vietnam and Laos.

A major milestone in Nepal's hydro development progress was financial closure and foundation laying ceremony for the state owned Upper Tamakoshi project, which is the largest project currently under construction. In addition, a number of hydro projects are in different phases of development through public and private investors.

All political parties recognize the value of accelerating the development of hydropower to eradicate the existing load shedding and kick off the much needed economic growth of the country. As a consequence, the Government has brought out the emergency plan to address the problem of the power crisis. Some of these measures include special tariffs for projects below 25 MW, waiving of EIA study for projects up to 50 MW, construction of transmission line in certain corridors and planning for high voltage cross border lines for power trade.

Business Environment and Investment Climate

In the last couple of years, improvements have been seen in the hydropower sector in Nepal. The Electricity Bill and the Electricity

Regulatory Commission Bill has been tabled in the Legislative Parliament and is under discussion at the Subcommittee constitutes to review and make recommendations to the Parliament. The Ministry of Energy issued guidelines for license management process. The government has cancelled all applications for the projects larger than 10 MW. As a result the pipeline projects of BPC like Upper Arun (500 MW), Tamor Reservoir (300 MW) and Kabeli-C (32 MW) which were in the license process are no more into consideration now. Along with others, these projects have been put aside in bidding baskets of GoN. GoN will prioritize and call for competitive bidding for which BPC will actively take part for feasible and appropriate projects.

Nepal Electricity Authority (NEA), the GoN's undertaking, has increased the PPA tariff rates by 20% for the purchase of energy from the hydropower projects up to 25 MW capacity. PPAs have been signed for several projects with combined capacity 715 MW in the year 2010/11 which is almost 3.5 times the capacity in operation by IPPs till now. However, majority of them are stuck with the problem of financial closure.

The political transition, inadequate legal instruments, long bureaucratic processes, low bulk electricity tariff, poor interconnection facilities for power evacuation, unreasonable demands from locals, politicized labour force and limited fund in Nepalese financial market are the key bottlenecks in the development of hydropower sector in Nepal.

Initiatives are being taken jointly by the Ministry of energy and Ministry of Finance, related government departments, in association with Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and the Independent Power Producers' Association, Nepal (IPPAN) to improve Nepal's business environment and investment climate. BPC is an active participant in these development initiatives.

The Year ahead

Andhikhola Upgrading Project construction will be under full swing. Construction works of Kabeli-A Hydroelectric Project and Nyadi Hydropower Project will start. The preparatory works and detail design of the Lower Manang Marsyangdi Hydropower Project will be completed. Further, efforts will be made to acquire new hydropower projects through bidding and/or negotiation with other license holders.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of

Foreign Affairs-Norway, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed directly or indirectly towards the betterment of the company in the FY 2068/69.

We thank the members of the Board Committees, Management Team and staff for their dedication and contribution towards the progress of the company and the shareholders for their confidence in us.

Thanking you.

On behalf of the Board of directors



Padma Jyoti
Chairman

Date: 17 January, 2012
Kathmandu



Agreement Signing with Mega Bank Limited in the presence of IFC representative for 9.4 MW Andhikhola Upgrading Project.



CEO's Perspective

2010-11 has been a year of execution for BPC in spite of the political instability and economic volatility. We flared well and surpassed our revenue and profit targets. Our consolidated income was over one billion registering a growth of 40%. The EBIDTA amounted to 320 million as against 269 million for the previous year registering a growth of around 19%. Our net worth stands at 2.74 billion and BPC's market capitalization was 7.5 billion.

Though, behind the target, for reasons beyond our control, significant progress has been achieved on project development. Project preparations for two hydropower projects with planned capacity of 67MW have been completed and are under financial closure. The DPR of the projects are in alignment and fulfillment of the applicable laws and safeguards and performance standards of the World Bank, International Finance Corporation and other international financing institutions. Another 140MW project is under advanced stage of development. Our Andhikhola upgrading project is under construction and will achieve commercial operation in November 2012 which will scale up our equity megawatts marginally. In the next few years our generation capacity will double and moving forward, will increase in geometric progression.

To prepare ourselves for undertaking multiple projects in alignment to the national energy needs, we are entering into strategic partnership with various international infrastructure development agencies. The partnerships will compliment BPC's growth plans and accelerated hydropower development in the country.

Our financing plans targeted at sourcing debts from international financing institutions and commitment of our shareowners to the principle that companies must invest to grow, gives us significant opportunity and flexibility in our growth plans.

While the company continues to focus on development of hydropower projects through separate SPVs, the parent company and other subsidiary companies supplement the project preparations and infrastructure development, and overall implementation plans that support development of the projects. We believe that this synergy helps in sustainable and cost effective development approach.

Our decision to separate out engineering and consulting business unit into an independent company proved good. The engineering and consulting business

saw exponential growth, benefiting investors. In its second year of operation it registered 133% increase in revenue and an increase in net profit by almost ten times. Our collaboration with international consulting companies, have scaled up our technical capability and will broaden our market to other emerging markets. Our footprint in African region which started with design review and construction supervision of a small hydropower project in Kenya is increasing with couple of other projects in pipeline. We are poised to be the leader in engineering and consulting business in Nepal.

The changes in leadership at our operating subsidiary companies have helped improve their business operations and financial performance. The governance model is under review which we believe will further strengthen the performance of the subsidiary companies.

We believe that successful companies are built on a foundation of financial control, compliance and accurate and timely information. The financial and governance disclosures are product of our commitment to transparent and high quality financial reporting.

Our business heads monitor financial and operating performance regularly, enabling us to identify potential opportunities and risks at early stage and positioning us to respond on time. We share ideas across the group and constantly challenge ourselves for higher growth targets and productivity. Our investments in IT infrastructure and business intelligence will strengthen our business processes. We encourage team work, competition expect our business heads to outperform.

The business growth is demanding growth of the leadership team and management capability. We are on the leadership growth phase. The fundamentals at BPC leadership team are commitment to corporate value framework,

commitment to performance and commitment to change. Our leadership model is backed up by domain competency, team work, best management practices and leadership development. Deep domain knowledge is essential to drive results, and best performance always wins. Change is inevitable and demonstrated performance prepares us face the change in the changing environment, changing economy and increasing scale of operation.

At BPC, CSR initiatives are integral part of the corporate strategy and we endeavor to contribute to the community by carrying out our business in manner that supports the socioeconomic development of the areas where we do business. Self sustainability of the initiative post implementation is put in front.

Operational excellence and dedication from the Team - BPC Group is demonstrated, by achieving the growth targets and I take this opportunity to acknowledge their contribution.

Amidst rising inflation and political uncertainties we are focused on sustained growth and improving productivity for higher margins and returns. It is our belief that the company is well positioned to be the single largest independent power producer in the country with established operating track record, technical, financial and commercial capabilities than any time in our history.

Improving operational and financial performance of our subsidiary companies will enable us to get dividends at BPC and improve returns to our shareholders. With number projects under development and diversified portfolio, investments in BPC have bright prospects.



Ranjan Lohar
Chief Executive Officer

To prepare ourselves for undertaking multiple projects in alignment to the national energy needs, we are entering into strategic partnership with various international infrastructure development agencies.



Corporate Governance

Corporate Value Framework of BPC has embraced governance philosophy -- “Governance practices beyond regulatory requirements”.

The framework specifies core values, business principles, governance code and code of conducts and ethics. Our framework is based on the best corporate principles embodied in the OECD Principles, existing Nepalese policies and BPC Memorandum and Articles of Association. BPC’s corporate culture is founded on its legacy, on the conscious efforts of the board and management to adopt and promote good governance, and on awareness that the long-term interests of the company are best served by maintaining a strong commitment to honest and transparent business practices. We thrive to maintain the highest levels of transparency, accountability and equity of its operations and in all its interactions with its stakeholders, including its customers, shareholders, and employees as well as government, statutory authorities, regulators, lenders and the wider

community. The company believes that all its operations and actions must serve its underlying goal of enhancing the overall enterprise value and safeguarding trust of the shareholders. In addition to a high degree of compliance with corporate governance rules and regulations, we are also making a conscious effort to make more voluntary disclosures directed at providing shareholders and investors with appropriate data and information so that they can properly evaluate their investments and make informed decisions, rather than disclosures designed merely to meet the minimum statutory or regulatory requirements.

Shares and Shareholders’ Relation Share Ownership Structure

The share ownership structure of the Company is as below.

Name of shareholder	Ownership (%)
Shangri-La Energy Limited	68.95
General public / individuals	10.00
Government of Nepal	9.09
Interkraft Nepal AS	6.05
United Mission to Nepal	2.79
Employees	2.00
Nepal Electricity Authority	1.06
Nepal Industrial Development Corporation	0.06
Total	100

Shareholders' Meeting and Communication

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

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

Dividend Distribution

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

The dividend payout is made directly to the institutional shareholders. Payment of the

dividends to the public shareholders is arranged through the Share Registrar of the Company NMB Capital Ltd.

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

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

Board of Directors and Board Committees

Board Composition

The Articles of Association of the company provisions for eight members of Board and representation of Shareholders in the Board based on the shareholding structure and the requirement of Companies Act. The existing members of the Board are as follows.

Name	Position	Organization	Period
Mr. Padma Jyoti	Chairman	SEL	29 Jan 2003
Mr. Pradeep Kumar Shrestha	Director	SEL	29 Jan 2003
Mr. Bijay Bahadur Shrestha	Director	SEL	3 May 2007
Mr. Bijaya Krishna Shrestha	Director	SEL	8 Sep 2011
Mr. Ratna Sansar Shrestha, FCA	Director	IKN	29 Jan 2003
Mr. Anup Kumar Upadhyay	Director	GoN	17 May 2005
Mr. Nimal Pradhan	Director	General Public	8 Jan 2010
Mr. Rajib Rajbhandari	Alt. Director	SEL	4 Jun 2008
Mr. Om Prakash Shrestha	Alt. Director	SEL	8 Sep 2011
Mr. Sanjib Rajbhandari	Alt. Director	SEL	8 Sep 2011

Note:

- Mr. Ratna Sansar Shrestha, FCA represented UMN as Director from September 2001 to 28 January, 2003.
- Mr. Rajib Raj Bhandari represented SEL as Director from 29 January 2003 to 3 May 2007.
- Mr. Ganesh Lal Shrestha represented SEL as Director from 22nd September 2010 to 8 September 2011.

Functions of the Board

In line with the global standards of corporate governance, the role of the Board is distinct from that of the management.

The company is managed by its executives under the direction and leadership of the CEO and the oversight of the board. The board reviews and discusses the performance of the company, its future plans, major business strategies, risk management and other pertinent 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 interests of the Company and are aware of their individual and collective responsibilities towards the Shareholders.

The board has the following specific functions:

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

Board Meetings

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

Seven Board meetings were held in the F/Y 2067/68. The longest gap between meetings was 53 days and the shortest was 10 days.

The attendance for the Board meetings was as follows:

Board Member	Meetings held during tenure as Director	Meetings attended
Mr. Padma Jyoti	7	7
Mr. Pradeep Kumar Shrestha	7	5
Mr. Ganesh Lal Shrestha	6	6
Mr. Bijay Bahadur Shrestha	7	6
Mr. Ratna Sansar Shrestha, FCA	7	7
Mr. Anup Kumar Upadhyay	7	5
Mr. Nirmal Pradhan	7	6
Mr. Bijaya Krishna Shrestha	7	7
Mr. Rajib Rajbhandari	7	5

Mr. Ganesh Lal Shrestha replaced Mr. Gyanendra Lal Pradhan on Kartik 18, 2067 (4 November 2010).

Mr. Gyanendra Lal Pradhan attended the first Board Meeting in FY 2067/68 during his tenure as BPC Board Director.

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

Fees and Allowances of Directors

The structure of the meeting fee for both the Board and Board Committee meetings and allowance of the Chairman/Directors are as follows:

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

The members of the Board and Board Committees have been paid NPR 549,000 as meeting fee and allowance in the F/Y 2067/68.

Audit Committee

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

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

The Audit Committee members have been providing a substantial input in matters related to finance, accounts and the Companies Act. In addition, it supervises and directs the internal auditor of the Company matters relating to accounts and audit. CEO, Head-Finance, and

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

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

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

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

Name	Position	Meetings held during tenure as Member	Meetings attended
Mr. Ratna Sansar Shrestha	Chairman	4	4
Mr. Pradeep Kumar Shrestha	Member	4	3
Mr. Bijay Bahadur Shrestha	Member	4	4

Budget Committee

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

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

The functions of the Budget Committee are:

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

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

Name	Position	Meetings held during tenure as Member	Meetings attended
Mr. Padma Jyoti	Chairman	2	2
Mr. Bijaya Krishna Shrestha	Director	2	1

4. To advise during the remuneration and compensation packages negotiations with the Employees' Union.

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.

In 2010, BPC has been awarded "National Best-Presented Accounts Award" by ICAN for the sixth time in a row for best presentation of its financial statements and annual report. These accolades testify BPC's commitment to transparency.

Remuneration Committee

The BPC Board constituted the Remuneration Committee in F/Y 2067/68. Mr. Bijay Bahadur Shrestha, a Director of the Company chairs the Committee and Mr. Ranjan Lohar CEO of BPC and Mr. Vishwa Amatya, VP-CM of BPC are the members.

The functions of the Remuneration Committee are:

1. To review and recommend the Company's remuneration policy and structure to the Board;
2. To review and approve performance-based remuneration system in alignment with corporate goals and objectives set by the Board;
3. The remuneration committee seeks external professional advice if necessary on matters related to remuneration packages and best practices.

Reporting to Regulators

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

Risk Management

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

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

The assets of the Company are adequately insured. 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 of project vicinity. Continuous efforts are made to retain trained and experienced human resources and reduce employee-turnover.

Internal Control and Accountability

The company believes that internal controls assist management in carrying out their fiduciary duties and operating responsibilities, which is essential for the sustainable growth.

The company's internal audit functions are being carried out through independent professional auditors to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit Committee and are discussed with management for corrective and improvement measures.

The statutory auditor examines the financial statements in line with the Nepal Accounting Standard and other applicable Act, Rules and Regulations and issues his report.

According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied and the financial statements give proper account of assets and liabilities.

Management

Business operations and management of the company is managed by management team. BPC has a strong team of management under the leadership of Mr. Ranjan Lohar, the CEO.

The management performed satisfactorily during the F/Y 2067/68 as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors.

Code of Conduct and Ethics

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

Brief Resume of the Board Members and their Disclosures



Padma Jyoti, 65 Chairman

Mr. Jyoti has graduated in Mechanical Engineering from IIT Kanpur, India and a MBA graduate from Sloan School of Management, Massachusetts Institute of Technology, USA.

Mr. Jyoti is a leading industrialist who has been managing various industries in Nepal for the last 40 years.



Pradeep Kumar Shrestha, 51 Member

Mr. Shrestha is a MBA graduate from Tribhuvan University, Kathmandu, Nepal.

Mr. Shrestha has been actively involved in management of several industries and commerce sector for more than 27 years.



Bijaya Krishna Shrestha, 63 Member

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

Mr. Shrestha has more than 32 years of experience in the banking, insurance, computer, and electronics sectors.



Bijay Bahadur Shrestha, 56 Member

Mr. Shrestha a MBA graduate from the Faculty of Management Studies, University of Delhi.

Mr. Shrestha has 27 years of experience in the export sector and more than 12 years of experience in the capital market, banking, financial and insurance sectors.



Ratna Sansar Shrestha, FCA, 59 Member

Mr. Shrestha graduated in CPA from Massachusetts, USA and also holds degree in Master of Commerce and Bachelor of Law.

Mr. Shrestha is a fellow of the Institute of Chartered Accountants of Nepal and a corporate lawyer accredited by the Nepal Bar Council. He is actively involved in the clean energy sector for over two decades.



Anup Kumar Upadhayay, 46 Member

Mr. Upadhayay is a M.Sc. graduate in Electrical Network and Systems from Georgian Technical University, Republic of Georgia.

Mr. Upadhayay is the Joint Secretary at the Ministry of Energy and has more than 19 years of experience in the power sector of Nepal.



Nirmal Pradhan, 57 Member

Mr. Pradhan holds bachelor's degree.

Mr. Pradhan has been involved in film industry for 27 years, in stock investment for 13 years and in housing and real-estate for 16 years.



Rajib Rajbhandari, 54 Alternate Member

Mr. Rajbhandari holds B. Com. (Honours) from Bombay University, India.

Mr. Rajbhandari has more than 22 years of experience in the industry and commerce sectors.



Om Prakash Shrestha 52 Alternate Member

Mr. Shrestha holds B.Sc. in Civil Engineering from Punjab Engineering College, Chandigarh, India.

Mr. Shrestha has 25 years of experience in the field of construction management.



Sanjib Rajbhandari 52 Alternate Member

Mr. Rajbhandari holds B. Com. Business/Accountancy from University of Mumbai, India.

Mr. Rajbhandari has more than 17 years of experience in the IT sector.

Disclosures by the Board Members

Current involvements other than those in BPC and its subsidiaries and associates:

Padma Jyoti, Chairman

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

Bijaya Bahadur Shrestha, Member

Director, Himalayan Bank Ltd
Director, Soaltee Hotel Ltd.
Director, United Insurance Ltd
Central Executive Member, FNCCI
Treasurer, Royal Nepal Golf Club

Anup Kumar Upadhyay, Member

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

Pradeep Kumar Shrestha, Member

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

Bijaya Krishna Shrestha, Member

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

Ratna Sansar Shrestha, FCA, Member

Member, Water Supply Tariff Fixation Commission

Nirmal Pradhan, Member

Director, Rajdhani Investment Fund Ltd.
Director, Social Development Bank Ltd.

Shareholding of Board of Directors in BPC

S. No.	Name	Position	No. of shares held
1	Padma Jyoti	Chairman	None
2	Pradeep Kumar Shrestha	Member	None
3	Bijay Bahadur Shrestha	Member	4477
4.	Bijaya Krishna Shrestha	Member	121
5	Ratna Sansar Shrestha	Member	None
6	Anup Kumar Upadhaya	Member	None
7	Nirmal Pradhan	Member	11541
8	Rajib Rajbhandari	Alt. Member	41914
9	Om Prakash Shrestha	Alt. Member	None
10	Sanjib Rajbhandari	Alt. Member	None

Top Management and Senior Executives

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

S. No.	Name	Designation
1	Ranjan Lohar	CEO
2	Pratik Man Singh Pradhan	VP – Business Development & Projects
3	Radheshyam Shrestha	VP – Finance
4.	Vishwa Bhushan Amatya	VP - Corporate
5	Prakash Kumar Shrestha	Head of Operations
6	Ratna Shakya	Chief Manager – Finance
7	Gopal Chadra Joshi	Chief Manager – Distribution
8	Kali Prasad Choudhary	Project Manager – AKUP
9	Nirmal Acharya	Project Development Manager
10	Bishnu Prasad Shrestha	Sr. Manager – Corporate Affairs
11	Kabindra Sharma	Sr. Manager - Facility Management
12	Padma Gautam	Sr. Manager - Procurement

BPC's representation in its subsidiaries and associate companies

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

Company	BPC Share-holding in %	Name	Position in Board
BPC Services Ltd.	100%	Ranjan Lohar Prakash Kumar Shrestha	Chairman Member
Himal Power Limited	16.88%	Rajib Rajbhandari Bijaya Krishna Shrestha	Member Alt. Member
Hydro Consult Pvt. Ltd.	80%	Ranjan Lohar Pratik Man Singh Pradhan Radheshyam Shrestha Ratna Shakya	Chairman Member Member Alt. Member
Hydro Lab Pvt. Ltd.	16.64%	Pratik Man Singh Pradhan	Member
Jhimruk Industrial Development Centre (P) Ltd.	24%	Radheshyam Shrestha Prakash Kumar Shrestha	Member Member
Jumdi Hydropower Pvt. Ltd.	19%	Radheshyam Shrestha	Member
Kabeli Energy Ltd.	54%	Pradeep Kumar Shrestha Padma Jyoti Rajib Rajbhandari	Chairman Member Member
Keton Hydro-Power Limited	90%	Ranjan Lohar Radheshyam Shrestha Ratna Shakya	Chairman Member Alt. Member
Khudi Hydro-Power Ltd.	60%	Bijaya Krishna Shrestha Bijay Bahadur Shrestha Ranjan Lohar Radheshyam Shrestha	Chairman Member Member Alt. Member
Nepal Hydro & Electric Pvt. Ltd.	51.3%	Bijay Bahadur Shrestha Ranjan Lohar	Chairman Member
Nyadi Hydro-Power Limited	97.2%	Ganesh Lal Shrestha Padma Jyoti Bijaya Krishna Shrestha	Chairman Member Member



Management Discussion and Analysis

Economic Outlook

The major event which affected the global economy in the FY 2067/68 was catastrophic Tsunami after earthquake in Japan, claiming 15,805 lives and 4040 still missing. This tragedy has cost Japan US\$ 300 billion and weakened its economy.

South Asian economy grew to 7.3% in 2067/68, from 5.6 of last year. Neighbouring Asian giants, India and China continued their GDP growth pace at 7.5% and 9.5%, respectively.

Nepal continued to struggle in all fronts of development. GDP growth continued fall short of economic forecasts at 3.48%. Developments in stock market of Nepal for the whole of FY 2067/68 remained gloomy as liquidity crunch hit Nepalese financial sector. Regulatory policy on marginal lending, adverse economic and political situation also affected stock market. As a result, NEPSE index in FY 2067/68 declined by 24.1%, transaction volume was NPR 6.66 Billion, 43.5% lesser compared to previous year. Impact of liquidity crunch also resulted in higher Interest rate making borrowing expensive. Inflation rate grew by 9.9%, which was a small relief as it was less compared to previous year's 12.6%. The annual average price indices of agricultural commodities and domestic manufactured commodities increased by 10.8% and 9.1%, respectively, compared to 22.8% and 8.6% of previous year.

All political parties recognize the value of accelerating the development of hydropower to eradicate the existing load shedding and kick off the much needed economic growth of the country. As a consequence, the Government has brought out the emergency plan to address the problem of the power crisis. Some of these

measures include special tariffs for projects below 25 MW, waiving of EIA study for projects up to 50 MW, construction of transmission line in certain corridors and planning for high voltage cross border lines for power trade.

Business Environment

In the last few years, we have seen some positive initiatives undertaken for encouraging the hydropower sector in Nepal. The Electricity bill and the Electricity Regulatory Commission Bill have been tabled in the Legislative Parliament and are under review at the Subcommittee level, which will make necessary recommendations to the Parliament. Guidelines for the license management process have been issued by the Ministry of Energy and the government has cancelled all applications for the projects larger than 10 MW. Consequently, pipeline projects of BPC like Upper Arun (500 MW), Tamor Reservoir (300 MW) and Kabeli-C (32 MW), which were in the license process are no longer in consideration. Along with others, these projects have been included in the bidding basket of GoN. BPC is preparing to actively pursue feasible and appropriate projects, once the GoN calls for competitive bidding.

Nepal Electricity Authority (NEA) has increased the PPA tariff rates by 20% for the purchase of energy from hydropower projects up to 25 MW capacity. In the year 2010/11, PPAs have been signed for several projects with a combined capacity of 715 MW. This is almost 3.5 times the capacity in operations by IPPs till now. However, for majority of such projects, progress is being hindered by the problem of financial closure.

The political transition, inadequate legal instruments, long bureaucratic processes, low bulk electricity tariff, poor interconnection

facilities for power evacuation, unreasonable demands from local people, politicized labour force and limited fund in Nepalese financial market are the key bottleneck in the development of hydropower sector in Nepal.

Initiatives are being taken jointly by the Ministry of Energy and Ministry of Finance, related government departments, in association with Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and the Independent Power Producers' Association, Nepal (IPPAN) to improve Nepal's business environment and investment climate. BPC is an active participant in these development initiatives.

Business Operations

The FY 2067/68 turned out to be marginally better for BPC under challenging business environment and political instability with 20% increase in operating income at NPR 573.89 million. Generation and distribution business grew by 5% and 15%, respectively. Management and Technical support business has also emerged as significant contributor in operating income with staggering growth of 369% over the previous year. The growth of operating expenses has been reduced to 12% compared to previous year. Similarly, management has been able to cut administrative expenses by 12%. Provision for loss on investment has been re-instated mainly because of financial status of Khudi Hydropower Plant.

Generation, Management & Technical Services and Distribution contributed 71%, 14%, and 15%, respectively, to the operating revenue. Contribution of dividend income in operating income increased by 19% to NPR 164.3 million from NPR 137.8 million compared to previous FY. The gross operating profit for FY 2067/68 has been recorded at NPR 342.3 million, which is 25% higher compared to last year's NPR 273.1million.

The company has reported a gross revenue of NPR 763.2 million and earnings before tax of NPR 367.3 million for the 12 months ending 32nd

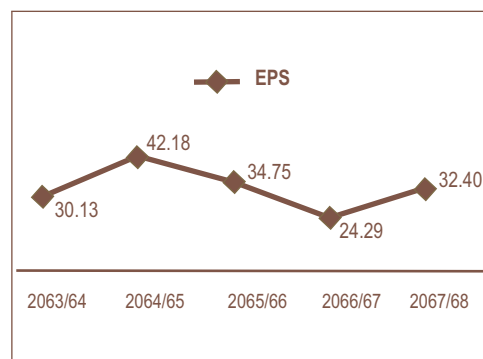
Asadh 2068 (16th July, 2011) while earnings after tax stood at NPR 328.0 million.

During the year, total contribution of BPC to government's revenue in terms of corporate tax is NPR 38.3 million, which is 52% higher than the previous year, and royalty of NPR 63.8 million was also paid to the government.

(in million NPR)

Contribution to State Revenue	2067/68	2066/67
Corporate Tax	38.29	25.21
Royalty	63.80	58.98
Employees Tax	4.63	5.29
VAT	14.72	4.83
Dividend Tax	6.95	7.34

At the end of this year, total investment in BPC's holding companies has added-up to NPR 1.25 Billion, 15% increase compared to previous year. Fixed assets worth NPR 83 million have been added during last year. The total networth stands at NPR 2711.0 million and earnings per share stands at NPR 32.40 per share.



At the end of the year, total assets of the company stood at NPR 2,829 million, 67.7% increase than last year. Net worth of the company as valued at NPR 2,711 million. The significant increase in net worth during the FY 2067/68 is mainly due to revaluation of operating fixed assets consisting land, building and power plant machineries by NPR 710 million.

Consolidated Financial Result

As a group of companies, BPC has established itself as pioneer of Hydropower development in Nepal. BPC has made an investment in various strategic units to enhance its skill and service offerings.

The consolidated turnover of the Group is NPR 1.07 billion which is an increment of 40% compared to previous year. Similarly operating expense (cost of sale) is NPR 673 million which is an increment of 81% compared to previous year resulting in a consolidated gross profit of NPR 253 million.

The profit before bonus and tax amounted to NPR 320.4 million as compared to NPR 269.2 million of previous year registering an increase of 19%. The net profit after bonus, tax and minority interest increased to NPR 253 million from NPR 228 million, an increase of 11% from the previous year.

The consolidated financial statement of the company is attached in Annex - 3.

Market Capitalization

During the year, 31,330 shares of BPC were traded at average price of NPR 747 (High- NPR 1069, Low- NPR 400). Key Figures from securities market for the year are as depicted:

(in million NPR)

Particular	Amount
Total Market Capital	323,484
Market Capitalization in Hydropower Butwal Power Company	15,258 (4.7%) 7,502 (49.2% of HP & 2.3% of TMC)

Contribution towards National Economy

The country has an estimated 83,000 megawatts (MW) of hydroelectric potential, with 43,000 MW having been identified as potentially economically feasible. Currently the country is generating only 652 MW, less than 2.0% of its

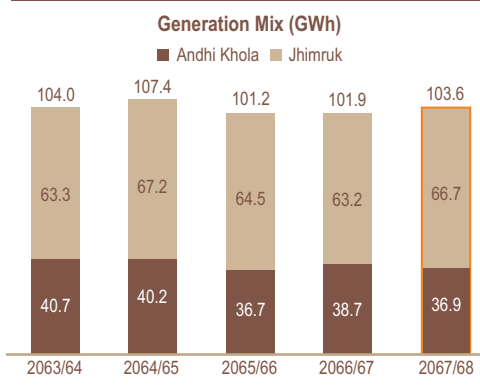
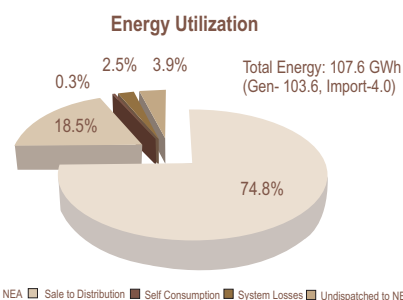
total potential. In this context, BPC has been operating its two power plants with average about 70% plant factor and contributing about 2.68% of available energy, and 3.28% of total domestic hydro generation in the country. It has been continuously supplying reliable electricity to its customers as well as the national grid. Nepal, at present, has been facing about 18 hours of load-shedding during dry season. It shows that there is huge opportunity for the expansion of business in this sector.

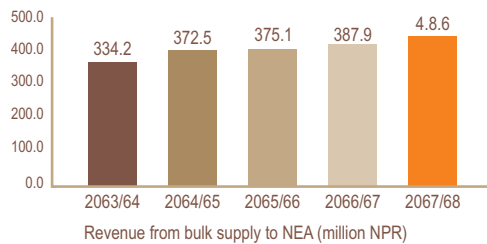
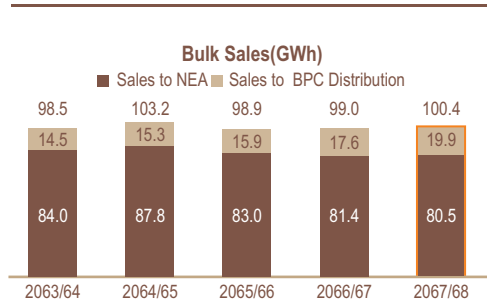
The total number of consumers electrified by BPC till the end of FY 2067/68 is 37,948, which is about 1.81% of total electricity consumers in the country.

GENERATION BUSINESS

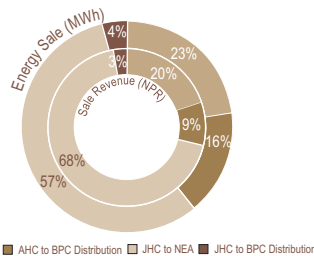
Generation and sale of electricity is the core business of the company and is the major source of income for BPC.

The generation facilities at Andhikhola and Jhimruk which are wholly owned and operated by BPC





Energy Sale vs. Revenues



have installed capacity of 17.1 MW. In addition, 12.2 MW equity MW of generation capacity is under the portfolio of BPC from Khudi and Khimti hydropower plants, partially owned by BPC.

Andhikohola and Jhimruk power plants generated 103.6 GWh energy with an average plant factor of 69.2%, which is 1.7% higher than the previous year. The generated energy was supplied to NEA as per the Power Purchase Agreement as well as to the retail consumers through the Distribution Business unit. The peak demand has increased considerably in the BPC distribution area which resulted in import of electricity of 4.0 GWh from NEA during the peak hours. The net sale to NEA was 80.5 GWh and 19.9 GWh was consumed by Distribution business unit.

The generation from Andhikhola and Jhimruk power plants contributed to 3.3% of the hydropower energy in the Integrated Nepal Power System.

Generation from Andhikhola Power Plant was 36.9 GWh at plant load factor of 82.6%. There was a shortfall of 7.0 GWh from the contract energy because of the increase in the demand and consumer retail consumer base and also low river discharge during the dry months.

The aged equipment at the power plant and weak 33 kV grid network of the INPS were the major challenges for the O & M crew in operation of the power plant. While scheduled preventive maintenance was carried out as per the maintenance management system, the field windings of the unit 3 generator failed and was repaired on site by the maintenance team.

Generation from Jhimruk Power Plant was 66.7 GWh, with a plant factor of 63.5%, which is 5.5% higher than the previous year.

The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out during the reporting year. Similarly, the main inlet valves and tailrace flap gates were also overhauled. The preventive maintenance was carried out as per the schedule. In order to optimize the use of water for irrigation and increase the generation, rehabilitation of 19 irrigation canals downstream of the Jhimruk dam was carried out. River training works to protect the project area and farming land as per plan was completed.

Technology Upgradation

The Andhikhola Power Plant is under upgradation to a capacity of 9.4 MW with latest

generation electromechanical equipments. The plant will be remotely operated from the control room at the ground level while the machine hall is at depth of approximately 250 meters below the ground level.

DISTRIBUTION BUSINESS

The Distribution Business unit purchased a total of 19.9 GWh from BPC's generation unit and NEA to supply to its consumers, which is 13% more than the previous year. The sales improved by 12% to 16.4 GWh. The T & D loss stood at 17% which is 39.0 % less than the national average of 28.4%. Over the past years, the CAGR on energy sales has been 6.9% against the national average of 5.5%. The stagnant tariff regime in absence of regulatory framework and rural consumer base maintains distribution business as a loss making unsustainable business. This is the most important challenge for the industry and all out efforts are being made for retail tariff revision as well as setting up of a regulatory framework.

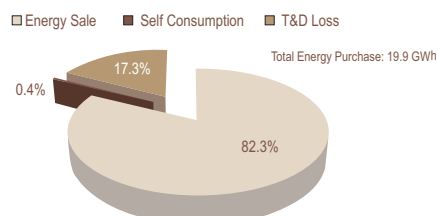
Out of 16.4 GWh sold to retail customers, 13 GWh (79.3%) was sold to metered consumers, 1.3 GWh (7.9%) to non-metered consumers and 2.1 GWh (12.8%) to industrial consumers.

Total sales for FY 2067/68 was NPR 75.2 million, an increase of 15% compared to previous year. EDC- Galyang and EDC- Darimchour contributed NPR 56.9 million and NPR 18.3 million, respectively, to the total revenue. Of the total sales, NPR 11.4 million was collected from industrial consumers, NPR 60.1 million from metered consumers, and NPR 3.4 million from cut-out consumers. The collection efficiency was recorded at 99.5%. Looking at the past 5 years data, the sales revenue has steadily increased at a CAGR of 13.3%.

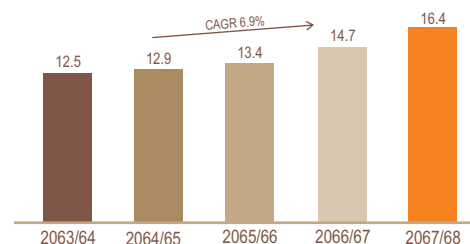
Loss Management/Minimization

The total energy loss this year was 3.4 GWh, which accounts for 17.3% of the total input energy. The increase in loss compared to previous year is mainly due to addition of new customers

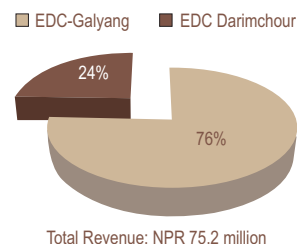
Retail Sale & Losses



Retail Sales (GWh)



Retail Sales Revenue

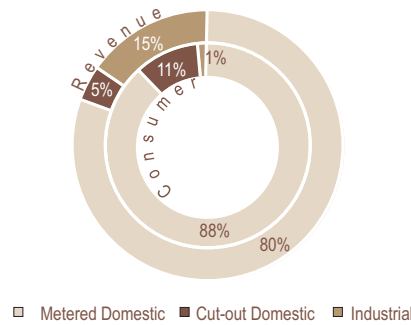


within the existing network and network expansion especially with single phase lines. Loss minimization has been a focus, particularly for the past five years and firm efforts have been made to identify system loss and minimize it. Feeder and distribution transformer metering is being upgraded for regular monitoring and identification of root causes. Further upgradation of the network has been planned to minimize the losses.

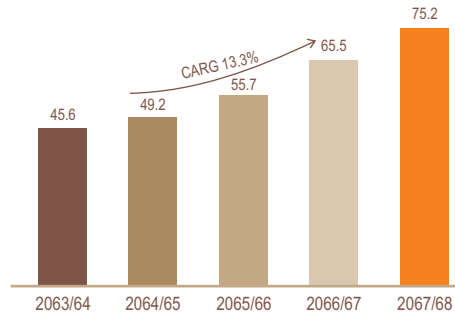
Business Volume

By the end of the FY 2067/68, a total of 37,948 customers have been electrified in four districts, marking an increase of 10% compared

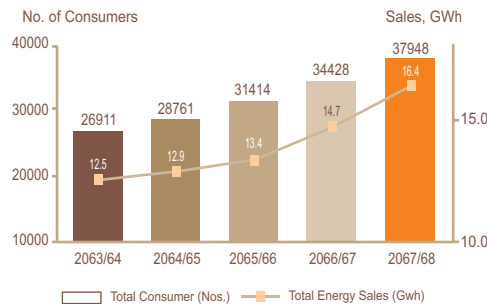
Consumer vs. Revenue Mix



Retail Sales Revenue (million NPR)



Retail Sales & Consumer Growth



to previous year. Additional 3,457 domestic consumers and 63 industrial consumers were added during the FY 2067/68. As a part of our continuous effort to minimize revenue loss, a total of 947 cut-out consumers were converted to metered category.

Apart from network expansion within the existing system, three new VDCs (Gadakot of Palpa and Shakhar and Shekam, of

Syangja) were electrified this year. Two new transformers were added to the system increasing the installed capacity from 6,950 kVA to 7,600 kVA. Similarly, 37 ckt-km of 33 kV, 80 ckt-km of 11kV and 322 ckt-km of 400 V network was added this year.

The average service availability index in the FY 2067/68 was 95.1%, which is slightly less compared to the previous year. This is mostly due to the expansion of NEA operated lines resulting in higher fault occurrence and its restoration duration.

Customer Relations

Distribution Business is committed towards its customers for delivering quality service. Hence, feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. The average response time per complain was contained at 15.4 hours.

In addition, 21 more users' organizations (UOs) were formed this year. Now, a total of 26 UOs in EDC Darimchaur & 86 UOs in EDC Galyang are operational.

The Five-Year Rural Electrification Expansion Program (REEP) is in its final year of implementation. All the remaining construction & upgrading activities that were delayed during the past year due to technical and social problems are rescheduled to be completed within the project period.

As a part of system expansion, 2,593 new consumers are planned for addition in the following year (FY 68/69) by construction of 9.3 Km 33 kV line and 210 km of 400 V line and addition of 7 nos. of transformers.

Also, two awareness and capacity building programs have been planned in FY 2068/69. 7 more UOs are planned to be formed in FY 2068/69, resulting into a total of 119 UOs.

PROJECT DEVELOPMENT

The Andhikhola project is being upgraded to 9.4 MW capacity. Financial Closure of the project has been achieved with debt financing from IFC and Mega Bank. The agreement for interconnection arrangement, PPA and Generation license for the project were obtained prior to the financial closure. The contractor has mobilized and the construction work is picking up momentum.

Kabeli-A Hydropower Project and Nyadi HEP are being developed through separate SPVs Kabeli Energy Limited and Nyadi Hydropower Limited respectively.

The Kabeli-A project (38 MW) is in advanced stage of development. Once operational, it will be able to generate 203 GWh of energy annually. The feasibility study and IEE has been approved by GoN and the Dam Safety Plan has complied with the Operational Policy requirement of the World Bank. The on-lending terms and conditions for availing the World Bank loan is under discussion with GoN. In addition to World Bank, discussions are ongoing with IFC and local banks for financing of the project. The financial closure is planned to be completed in the 1st Quarter of 2012 and start of construction is planned immediately thereof. The PQ has been completed and the tender documents are ready for release of RFP. The access road for the project is under construction and the detail design is ongoing. As of now, the COD is 25th September 2015. The estimated project cost is 73.3 million USD.

Nyadi Hydroelectric Project (30 MW) is in the PPA finalization stage, and will be able to generate about 168 GWh energy annually, once it comes under operation. The Feasibility Study and IEE/EIA has been completed and approval of IEE from GoN has been obtained. The tender document is in final stage of review and the detail design is ongoing. The access road to the project site is under construction and more than 50% of it has already been completed. The bridge over Marshyangdi River is under construction and its sub-structure part has been completed.

The feasibility study of Lower Manang Marsyangdi Hydropower Project (140 MW), located in the southern region of Manang district along the under-construction Besisahar-Chame road, has been completed and submitted to DoED. The River Model test is being carried out at Hydro Lab. The geotechnical study has been completed and hydrological and sediment information is being collected and analyzed regularly. Detailed design and EIA are ongoing and these along with the PPA will be concluded by the end of 2012. The track opening of the Besisahar-Chame road is expected to be completed by next year, and the main construction works for the project is planned to commence from 2013.

The Marsyangdi III Hydropower Project (42 MW) is being developed by Keton Hydropower Limited, in which BPC has 90% shareholding. The feasibility study has been completed and submitted to DoED. Similarly, the IEE has also been completed and is in the final status of approval at the Ministry of Energy. The study predicted to have significant length of soft ground tunnel before surge tank leading to a higher project cost. Hence, the financial viability of the project is being evaluated and the company plans to take required steps to address any issues as deemed necessary.

BUSINESS DEVELOPMENT

The core business, generation is being expanded through separate SPVs and capacity expansion of the generating facilities and expansion of distribution consumer base. Projects are acquired by obtaining licenses from GoN, partial/full buyout from license holders and also through bidding. While 212.3 MW equivalent capacity projects are with BPC under various stages of development, different projects with a total capacity of 850 MW are under consideration of survey license. GoN's abrupt decision to cancel the applications over 10 MW has put 330 MW capacity license in abeyance. The decision of the government has been protested by the

applicants. It is expected that GoN will review its decision shortly.

If the decision on cancellation of license application is not reviewed, the projects will go for bidding and we are preparing to acquire projects as per out business development plan through bidding.

CORPORATE ACTIVITIES

ISO Recertification

BPC has been recertified as ISO 9001:2008-Quality Management System and ISO 14001:2004-Environment Management System Company in April 2011. This is the second recertification for the company. Initial certification was obtained in May 2005 and first recertification was in May 2008.

Integrated Quality & Environmental Management System

With quality and environment system in place, BPC has been able to satisfy its customer by delivering quality products. The quality requirement of NEA is governed under NEA guidelines (Grid Code) which are religiously adhered. It is assured that the power reaches consumers without any interruption with requisite supply quality. BPC regularly seeks feedback from its customers to address and communicate their concerns.

Environmental monitoring is carried out according to the predetermined environmental aspects as per Environmental Aspect Register. The Statutory and Regulatory requirements applicable to the products and requirements imposed by external agencies are mentioned under Legal Register and are considered while determining requirements of products.

Management Reviews are held twice a year as a schedule program however it is also held in between when some important issues demand urgent management attention and action. Management Reviews are chaired by CEO with participation of all VPs, SBU heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the

Management Representative of the company. The Management Representative ensures that results of QEMS audits (internal and external) are presented and discussed in the management reviews along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss for continual improvements of the company.

Human Resource

BPC's total human capital at the end of the year was 294 persons, who undergo continuous enhancement of skill and competency through training and education. The competency of its human resource makes a strong foundation for any organization to grow on. Recognizing this, the management of BPC gives special effort and takes actions for continuous skill and competency enhancement of its employees. Through the process of human resource accounting, the Company continuously analyses information about human resources which assists the management to plan, implement and monitor the Company's human resource related activities in line with the Company's vision and goals. BPC also believes in

Human Capital as on end of FY 2067/068

	Technical	Non-Technical	Total
Management	16	15	31
Officer	25	23	48
Assistant	128	87	215
Total	169	125	294

and practices management through participation. Regular management meetings along with a system and a set of procedures by which employees' suggestions and grievances are handled ensure a smooth operation throughout the organization. This also helps in maintaining and improving the industrial relations within the Company.

49 different events, including trainings, workshops and seminars, were organized during

FY 2067/68. Fourteen in-house trainings, thirty-four domestic trainings and one training abroad were undertaken. These accounted for a total of 6,523 training hours and 600 participants.

RISK MANAGEMENT

The business environment and investment climate of the country have become very critical. Some of the critical factors that have impacted not only our business but also the whole hydropower sector are-

Every government has set different targets and realized the need of hydropower development for economic development of country. But the targets are not supported by action plans and programs with funding source, schedule, and infrastructures development like transmission lines, access road, and construction power. At the central level parties have committed for prioritizing the sector but at the local level the commitments are not at all reflected among the political activists. People expect the developer to play the role of state in overall development of the surrounding areas' infrastructures which affects the project's economic feasibility.

Adequacy of clear policy and legal instruments has been one of the major challenges for attracting domestic and international investors for the development of hydropower. Issue of ownership on resources is one of the most critical aspects and risks for investment by the private parties. The electricity bill is awaiting attention of the cabinet for more than one year now, and so is the Electricity Regulatory Commission Bill which is prerequisite for encouraging and development of hydropower sector.

Electricity Pricing

The consumer tariff has not been increased since last a decade whereas the prices of materials and commodities are skyrocketing. The financial health of power off taker is worsening because of political interference, internal management and uncompetitive retail

tariff of electricity. The revenue gap of the state utility has its effect on its paying capacity for purchase of bulk power. The low bulk tariff and high financing costs has resulted in majority of the projects commercially unfeasible. The projects for which DPR have been completed are awaiting financial closure which is becoming increasingly difficult to achieve.

Financial risk

Financial risk is the additional risk when a company uses debt in addition to equity financing. It is the risk that company will not have adequate cash flow to meet financial obligations. The Company is primarily subject to credit risk, interest rate risk, foreign currency risk, liquidity risk and price risk summarized as follows:

Interest Rate Risk: Interest rate risk is the risk that the value of financial asset and liabilities will fluctuate due to changes in market interest rate. BPC being hydro power company is a capital intensive organization mainly based on debt fund. BPC 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.

Foreign Currency Risk: Foreign currency risk is the risk, where the value assets and liabilities linked with foreign currency will fluctuate due to changes in foreign exchange rate. A number of projects initiated by BPC are currently operating through international equity and debt financing as well, which creates directly or indirectly currency risk.

Liquidity Risk: Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. In order to control liquidity risk and for better working capital management, BPC has made arrangement for 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



From left to right Kabindra Sharma, Radheshyam Shrestha, Bishnu Prasad Shrestha, Padma Gautam, Gopal Chandra Joshi,



Vishwa Bhushan Amatya, Ratna Shakya, Prakash Kumar Shrestha, Pratik Man Singh Pradhan, Nirmal Acharya, Ranjan Lohar

purchase, it is subject to market variations. There is no price risk on sale of power as the company has fixed rate power purchase agreement with NEA.

Investment Risk

Investment risk is the uncertainty about the future benefits to be realized from an investment. It has the potential for loss of value through mismanagement and financial insolvency. BPC has made equity investment in its subsidiaries and associates. Such investments are made considering the technical and financial feasibility of the business/projects and the management control in the subsidiaries and their close supervision.

Project Development Risk

In development of Hydropower projects various risks are eminent. Some risks have been recognized as very critical, which needs lot of efforts and resources to manage and some risks though recurring in nature, their nature is not so critical; hence can be managed with little effort. Some of the project risks that have been experienced during development are (i) unreasonable demand of local people and consequent interruptions, (ii) slow work of consultants/contractors, (iii) rework due to poor quality delivery, (iv) blockage of roads due to landslides in monsoon season, (v) Delay in financial closure, (vi) delay in issue of licenses and approvals, (vii) shortage of qualified and competent technical personnel in the country, (viii) insufficient quality national civil work contractors/EM and HM suppliers, (ix) insufficient specific service providers, (x) insufficient international standard Engineering/Environment study consultants, (xi) import of most materials from third countries thus causing delay in delivery and hassles in custom and clearances. These are some of the significant risks apart from which, there could be numerous other risks as well which can be encountered during project development. BPC has been engaging in various risk mitigation measures and strategies. All probable development risks have been analysed and a risk assessment scorecard has been developed to keep a track of them and ensure timely action for mitigation of such

risks. Some of the risks are identified and addressed by our CSR activities as well.

Generation Risk

The equipment of Andhikhola Plant is very old and dilapidated. The 33 kV grid network to which the power plant is connected is very fragile and failure prone, resulting in plant tripping and loss of generation. This poses great challenge in smooth operation of Andhikhola Plant. To cope with such prominent risks, a well trained maintenance team and sufficient quantity of spare parts are made available all the time at the plant. In this FY too, the damaged stator windings of the generator were repaired by in-house manpower within a very reasonable time. Also timely preventive maintenance of the plant and 33 kV interconnection lines has reduced the outages and increased reliability.

The water of Jhimruk River contains large quantities of quartz. The high silt content in Jhimruk River water during monsoon season is the major cause for severe erosion of turbine parts. This has forced us 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 short duration. Further, in-house manpower has been trained accordingly to accomplish this job. The well managed inventory of other spare parts as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time to increase the generation.

Distribution Risk

BPC has been continuously expanding its distribution area through rural electrification since 2047. Though the consumer base and the energy sale have been steadily increasing over the years, this has also increased the risk of electricity theft, higher distribution losses and non-payments. Also, with the increase of distribution network, including the expansion of NEA operated lines; it has elevated the risk of increased fault clearance duration.

Shareholder Information

Communication with stakeholders

The year has been another good year in terms of stakeholder's satisfaction. Making a double digit growth in key performance indicators of organization, BPC management continued its service excellence to its stakeholders. Need and concerns of our stakeholders are addressed timely by means of updated information. All modes of communication have been explicitly used to maintain good communication and serve better. Website and daily publications are the primary mode to outreach our stakeholders. To maintain symmetric flow of information about BPC's operation, continuity is given in publishing quarterly financial statements and other significant information on national daily newspaper and websites. We are committed in value added services to our stakeholders in upcoming days.

Trading information

FY 2067/68 was gloomy because of continued bearish trend making new low records one after another in securities market of Nepal. NEPSE index plunged to lowest of 292.32 on Ashad 1, 2068 recording the

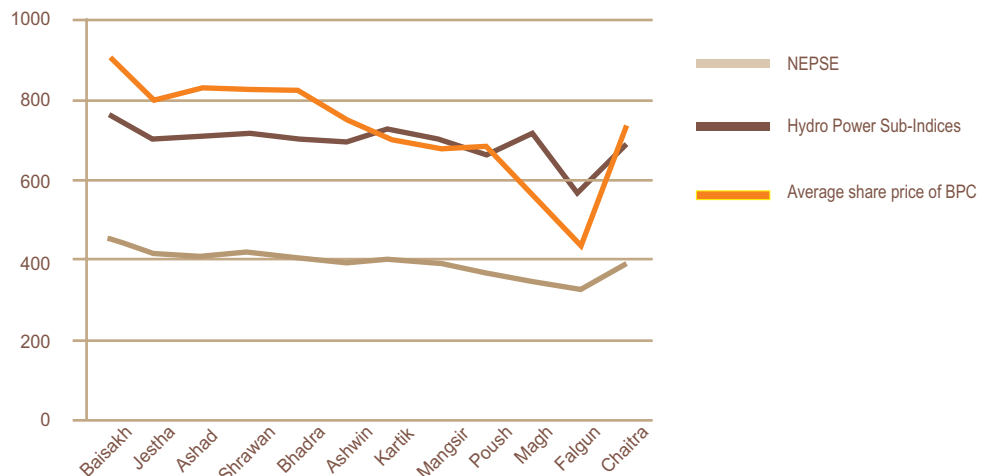
lowest in history since the establishment of stock trading in Nepal. Most of the companies were affected by down trend of stock market and BPC was no exception. Key figures related to BPC shares in stock exchange for FY 2067/68 remains as below:

No of Trading Day	52 Days
No of O/S shares	10,152,694
High Price, NPR	1069
Low Price, NPR	400
Closing Price	739
Average Trading Price	747
Volume of Share	31,300
Turnover in NPR	7.56 million

Shareholding structure:

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

Comparison of NEPSE index, Hydro Power Sub-index and Share Price of BPC



Shareholding Pattern as on fiscal year ended 31 Ashad 2068

Category of Shareholder	Number of Shareholders	Total Number of Shares Held	Shareholding as % Total No. of Shares
PROMOTER GROUP			
NEPALI			
Individual	3	183	0.00%
Government	1	922,934	9.09%
Corporate Bodies	1	7,000,410	68.95%
Institutions	2	113,330	1.12%
FOREIGN			
Corporate Bodies	1	614,038	6.05%
Institutions	1	283,395	2.79%
Total	9	8,934,290	88.00%
PUBLIC SHAREHOLDING			
Individuals	853	1,218,404	12.00%

Classification of shares by numbers of holdings

Category of Shareholder	Number of Shareholders	Total Number of Shares Held	Shareholding as % Total No. of Shares
Holding shares upto 50	136	2,606	0.03%
Holding shares between 51 to 100	75	5,331	0.05%
Holding shares between 101 to 500	245	52,327	0.52%
Holding shares between 501 to 1000	251	167,959	1.65%
Holding shares in excess of 1000	155	9,924,471	97.75%
Total	862	10,152,694	100.00%

Shareholding of Persons belonging to "Public Group" holding more that 1% of total number of Shares

Name of Shareholder	Number of Shares	% of total number of Shares
None		

Five Year Summary - Balance Sheet

(in thousand NPR)

Particulars	2063/64 2006/07	2064/65 2007/08	2065/66 2008/09	2066/67 2009/10	2067/68 2010/11
ASSETS & PROPERTY:					
Fixed Assets	743,893	725,742	765,339	781,666	1,521,536
Land	60,408	60,408	64,305	66,561	66,561
Office Building & Quarters	33,629	33,502	32,976	30,508	28,267
Access Road	3,014	2,784	2,554	2,323	2,093
Suspension Bridge	1,989	1,837	1,685	1,533	1,381
Power Plant & Machinery	340,697	314,043	287,502	281,217	258,644
Switching Station	-	-	20,734	19,893	19,006
Sub Station	-	-	-	33,048	31,708
33 KV Transmission Line Upgrading	-	-	-	-	18,680
1 KV Conversion into 11 KV	-	-	-	-	5,814
Transmission & Distribution Line	276,756	267,466	294,953	305,741	326,480
Office Equipments	22,700	25,695	28,870	20,866	19,869
Furnitures	1,461	1,645	2,078	1,373	1,378
Vehicles	3,239	18,362	29,682	18,603	21,918
Revalued Asset	-	-	-	-	719,737
Work in Progress	24,369	37,191	43,155	95,404	205,488
Investment in Shares	465,705	477,858	706,134	807,211	932,853
Current Assets, Loan & Advance	647,416	746,136	743,837	651,519	600,391
Stock	58,896	74,647	92,723	104,543	83,413
Debtors & Receivable	58,918	88,407	171,359	93,690	184,140
Cash & Bank Balance	457,035	412,635	291,687	234,888	44,902
Advance & Deposit	72,567	170,447	188,068	218,398	287,936
Deferred Revenue Expenditure	888	4,765	5,735	5,644	4,895
Total	1,882,271	1,991,692	2,264,200	2,341,444	3,265,163
CAPITAL & LIABILITIES:					
Equity	839,058	839,058	839,058	922,968	1,015,269
Reserve & Surplus	455,805	556,762	707,210	706,834	1,695,673
General Reserve	148,700	148,700	148,700	148,700	148,700
Revaluation Reserve	-	-	-	-	719,737
Retained Earnings	222,805	306,397	429,502	385,120	621,051
Grant Aid in Reserve	84,300	101,665	129,008	173,014	206,185
Long Term Loan	-	-	26,729	57,970	118,111
Current Liabilities	568,510	570,323	624,543	566,569	328,979
Short Term Loan	89,947	183,956	154,294	205,495	162,932
Creditors & Payables	447,705	356,934	434,050	301,517	149,189
Advance & Deposit	30,858	29,433	36,199	59,557	16,858
Provisions	18,898	25,549	66,660	87,103	107,131
Provision for Corporate Tax	9,619	9,401	12,247	25,207	38,291
Corporate Tax for 2060/61 (under Appeal)	-	-	16,774	16,774	16,774
Provision of Loss in Investment	9,279	16,148	37,639	45,122	38,762
Provision for Expenses	-	-	-	-	13,304
Total	1,882,271	1,991,692	2,264,200	2,341,444	3,265,163

Five Year Summary - Profit and Loss Account

(in thousand NPR)

Particulars	2063/64 2006/07	2064/65 2007/08	2065/66 2008/09	2066/67 2009/10	2067/68 2010/11
INCOME					
Operating Income					
Electricity Sale to NEA	334,166	372,521	375,103	387,896	408,575
Electricity Sale to Consumers	45,603	49,166	55,697	65,535	75,212
Electricity Services	3,634	6,151	8,040	9,137	9,228
Management and Technical Support	-	-	3,740	17,241	80,877
Consultancy Services	9,535	18,894	28,108	-	-
Total Operating Income	392,938	446,732	470,688	479,809	573,892
Income from Other Sources					
Interest Income	15,365	16,495	11,272	6,408	15,825
Foreign Currency Exchange Gain (Loss)	(25,740)	18,217	30,809	(3,651)	(4,283)
Dividend Income	97,982	156,894	104,843	137,803	164,265
Gain (Loss) on Disposal of Assets & Stock Materials	-	143	608	(602)	2,295
Depreciation Being Revenue Portion of Grant Aid	6,964	5,276	5,866	7,547	9,408
Grant Support for Technology Transfer	2,794	3,867	4,317	2,077	-
Other	1,461	1,983	2,897	1,699	1,792
Total Non- Operating Income	98,826	202,875	160,612	151,281	189,302
Total Income	491,764	649,607	631,300	631,090	763,194
EXPENDITURE					
Generation Expenses	74,565	82,514	88,491	137,842	144,495
Distribution Expenses	33,303	48,428	48,700	55,762	59,509
Management and Technical Support Expenses	-	-	-	12,072	19,556
Project Development Expenses	-	-	-	1,045	8,014
Consultancy Services	8,774	16,743	18,957	-	-
Administrative Expenses	40,068	59,920	70,377	83,253	73,503
Provision of Loss in Investment	9,479	6,869	21,491	7,483	(6,360)
Interest Expense	5,266	7,246	7,913	18,104	25,240
Depreciation	51,924	55,103	61,873	60,632	62,199
Staff Bonus	5,926	9,504	9,659	5,457	9,777
Total Expenditure	229,305	286,327	327,461	381,650	395,933
Net Profit Before Tax	262,459	363,280	303,839	249,440	367,261
Income Tax Provision	9,619	9,401	12,247	25,207	38,291
Net Profit After Tax	252,840	353,879	291,592	224,233	328,970
Retained Earnings b/f	222,131	222,805	306,397	429,502	385,120
Prior Year's Adjustment	(531)	(18,570)	(676)	(115)	(742)
Dividend of 2057/58 Paid	(41,871)	-	-	-	-
10% Stock Dividend	-	-	-	(83,906)	(92,297)
Proposed Dividend	(209,764)	(251,717)	(167,811)	(184,594)	-
Balance transferred to B/S	222,805	306,397	429,502	385,120	621,051

Corporate Social Responsibility

BPC believes in sustainable development. Our business decisions and operations integrate economic, environmental and social considerations. We always endeavour to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC does not see itself as a mere profit-making entity. It is a contributing member of society based on the responsible corporate citizenship and looks forward to active participation and responsibility sharing by all stakeholders. BPC thrives to make a better future in close cooperation with all people and groups, including stake holders, employees, customers, shareholders, suppliers, and local communities

CSR is gradually taking a position as one of the core pillars of BPC as the Company strives to establish a Sustainable Business Management System as can be seen in a newly adopted Corporate Value Framework. BPC CSR Policy encourages joining hands with host communities in protecting environment and helping social uplift. BPC has already established CSR unit under its Corporate Management Function. Relying on

the socio-economic and environmental status in Nepal, CSR aims to develop appropriate schemes for social, economic and environmental programme in its working areas.

As part of the CSR, the World Environment Day (WED) was organized on 5th June 2011 in Kathmandu office premises. Participants from different social organizations of Buddhanagar and nearby schools actively participated in the occasion. The main objective of the programme was to promote awareness on the importance of preserving our biodiversity, the need to identify problems related to the environment and ways to take corrective action. Cleaning Dhobikhola Riverside & Buddha Nagar Area was done with active participation of the community, school children and BPC staffs. All the activities carried out were focused on spreading eco-awareness and increase green footprint.

On the occasion of world environment day, a garden, adjacent to Dhobikhola bridge developed by BPC was inaugurated. Senior officials of BPC planted saplings of Ginko Tree in the garden. BPC



developed this garden to convey the message that with a little effort and consciousness towards environment, the place where heaps of garbage produced by community was piled can be converted into a beautiful place.

Mural Painting on the wall of BPC Office Building with the theme 'Forest for Nature conservation' was also a part of the WED Programme. Children of the age 10 to 15 from neighbourhood schools gave wings to their imagination on eco-protection and shown their creativity and environmental awareness.

To increase awareness on energy conservation, BPC facilitated CFL at subsidized rate to community people and to its staff to encourage them to use CFL and save energy. Eco friendly bags were also distributed to discourage the use of polythene bags.

For fulfilling our vow towards an environment friendly organization, BPC is constructing its new office Building as a Green Building. Green Building Design is a holistic approach that

incorporates excellent practices resulting in environment protection, water conservation, and energy efficiency, usage of recycled products, use of renewable energy and healthy indoor environmental quality. The under construction BPC building is going to be the first Nepalese Building to be accredited with prestigious LEED (Leadership in Energy and Environmental Design) certification by US Green Building Council based at Washington

BPC provided support to repair/maintain & rehabilitate the drinking water system and 19 irrigation canals with villager's participation and environment awareness training in Jhimrul project area. As part of JDMP programme, 7 users' organization for the lift irrigation scheme has been formed and training and exposure visit have been organized and 23 skill development trainings have been conducted.

Crop diversification demo at 6 different places along with various skill development programs were carried out. Out of the targeted 174 farm





and non-farm based enterprises, about 65 such enterprises have been established with our support, benefiting about 190 farmers and local entrepreneurs.

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

- Awareness program on health and sanitation including mason training for latrine construction that resulted in construction of 700 latrines in the area.
- Construction of 2 new drinking water supply schemes (Jaruwakhola DWSS and Hariyatari DWSS) and rehabilitation of 8 existing drinking water supply providing access to clean and safe drinking water to the villagers.

BPC has supported in construction of road-side passenger waiting area near Mirdi Substation for the comfort of villagers waiting for public transport. Supports were also provided to construct a road near headworks area through Lalyang School and maintenance of Lalyang to Chartikhola section of the road.

Andhikhola is a multipurpose project, which has an irrigation component, irrigating around 310 ha of land. Further, the project has so far conducted various social uplift activities in the Andhi Khola vicinity including supports for sanitation, extension of agro-forestry, strengthening of community organization, women's' empowerment/development, and enterprise development initiatives that, together, have improved the lives of more than 60,000 people living in and around the power generation facility.

As a continuation of our CSR philosophy, a five days dental camp and teachers' training on hygiene was conducted in Kabeli project





area covering the residents of Amarpur and Panchami of Panchthar district, Thechambu and Nangkholyang of Taplejung district. A total of 620 participants participated and benefitted. 19 teachers from different schools took part in the orientation program. Health & Development Society Nepal supported the program by providing resource persons.

A nursery has been established in Nyadi project area to propagate a special slope stabilization plant (Vetiver). Various plants related to Bio-engineering have been planted

along access road sides and other hill slope area for slope stabilization. Considering the early benefit to the local people in project area, the project has opened 11 Km road and constructed a bridge over Marsyangdi to connect project area with Besisahar-Chame feeder road in advance. This road has benefited various settlements of three VDCs namely Bahundada, Bhulbhule and Khudi. The project has also distributed 22 electric poles and accessories to support local people of Naiche Village (Bahundada VDC) under rural electrification.



Health, Safety & Environment

Health and Safety

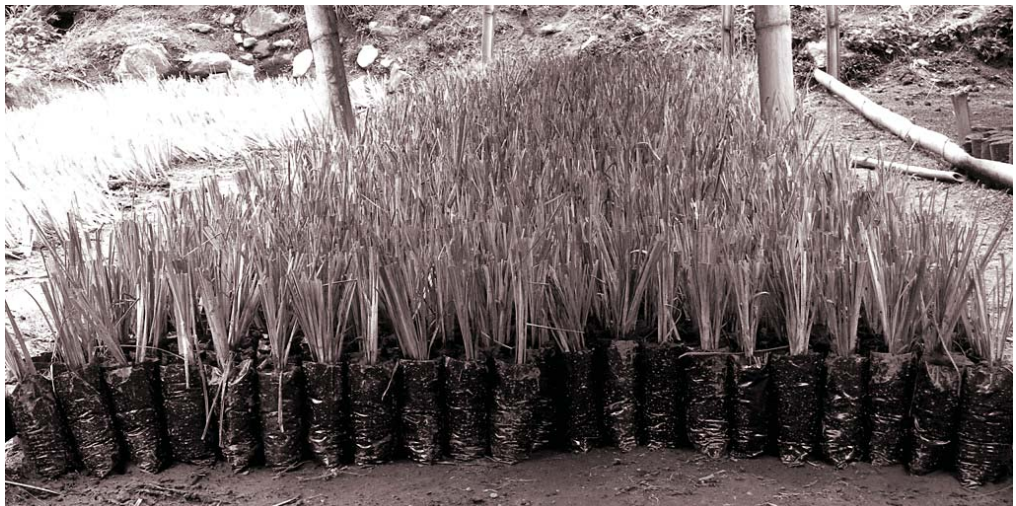
BPC considers that a good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. Therefore, BPC continuously reviews its environmental aspects and work related hazards, 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 prevention of environmental pollution through its defined procedures and safety control systems. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipments. Emergency preparedness plan in place ensures that minimum loss is occurred to employees and property in case of any emergency situation. No major accidents reported this year.

As regards to safety, BPC is carrying every activity in a safe manner. All the safety measures are enforced while carrying out activities.

The Company has a well developed Safety & Emergency Preparedness Plan that is well communicated amongst all to cope with all emergencies situation like fire, flood, landslide, earthquake etc. Besides, health check-up of all the persons prone to hazardous working environment and carried out annually. The Company is further planning to implement the OHSAS 18001:2007 Standard to further enhance the health and safety standard in the company.

OHSAS

BPC regards its employees as the most valuable asset of the company. Hence, their health and safety takes priority. With a plan to be certified against OHSAS 18001:2007, BPC is heading for preparation of necessary documents and manuals. A 3-day workshop to review OHSAS Document was conducted in May 2011. Orientation program on OHSAS has been conducted for all key staffs. The program focused on preparing documents related to hazard identification, risk assessment and determining controls. It also stressed on legal and other requirements pertaining to occupational health and safety requirements.





Environment

In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to the Environmental Management System (EMS) throughout the company to measure, control and reduce the environmental impact. BPC is fully compliant with various environmental protection and health and safety laws and regulations. In its constant endeavour to be fully compliant with all regulatory standards, BPC has instituted a compliance management system. Prior to the implementation of new projects the potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of project.

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 local community and encouraged for plantation. All wastes, which include damaged electromechanical parts, insulating materials and used oils, are disposed in an appropriate way.

Prior approval of identified environmental issues and proposed mitigation measures provides clear guidelines for implementation of environmental mitigation, social mitigation and CSR activities during construction and operation of the projects. But the process of approval is time consuming and involves several administrative hurdles. Another difficult part is to leasing out the government land for temporary structures and forest clearance during construction. However, the government has submitted the Electricity Bill and the Electricity Regulatory Commission Bill in the Constituent Assembly. The proposed Bill is expected to address some pertinent issues restructuring the electricity sector of the country.

While implementing BPC's projects, we are committed to act responsibly and transparently in all sort 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.

BPC being ISO 9001:2008 and ISO 14001:2004 certified is the evidence that BPC values good

governance, quality service delivery and its commitments to the environment. Also, BPC has been awarded with National Best Presented Accounts (BPA) Award – 2010 in the category of Manufacturing Sector for excellence in the presentation of financial statement and annual report.

Economic Performance

In growth front, 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 new plan of business expansion of building hydropower projects nearing realization, such as Kabeli-A and Nyadi, the Company is expected to do better. Further with political stabilization in horizon, environment to



attract the investment into Nepal will help BPCs objective to expand its core business area. BPCs vision to achieve sustained growth is becoming more realizable with the strategies that BPC has embraced.

Social Performance

BPC is sensitive and concerned about social performance in its project areas. The company has been assisting people in and around its project areas to uplift their social and economic standards through prioritizing in employment and other income generating activities.

We conduct Social Impact Assessment study to set the socio-economic baseline before implementation of projects, which helps in identifying impacts and recommending mitigation measures in the affected area. We have mobilized 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 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 skills and knowledge enabling communities to initiate new economic activities. As a result, we are 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 Andhi Khola Hydropower Plant and producing environment friendly hydropower, BPC won 'International Blue Planet Award 2005' from International Hydropower Association, UK.

Environmental Performance

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

BPC Subsidiaries

Khudi Hydropower Ltd.

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

The Khudi Khola Hydropower Project is a run-of-river type hydroelectric plant situated at Lamjung district in western development region. The 4 MW installed capacity plant is equipped with two horizontal francis turbines each of 2 MW capacity. The design discharge of 4.9 M³ / Sec is to generate 4 MW in 98 m net head. The generation voltage of the plant is 6.3 kV and transmission voltage is 33 kV. The generated power is evacuated through 14 km long transmission line and connected to the Integrated Nepal Power System (INPS) at NEA's Udipur Sub-station.

During the FY 2067/68, 21.35 GWh energy was supplied through 33 KV transmission line, an increase of 15.95% over the previous year.

The company recorded revenue of NPR 91.2 million during the year which is the highest ever recorded revenue generated since its operation.

Brief Financial Result

(in million NPR)

Particulars	2067/68	2066/67
Total operating income	91.2	79.6
Operating expenses	10.6	17.1
Gross operating profit	80.6	62.5
Other income	0.0	19.8
Administrative and other expenses	84.9	79.7
Net profit	(3.7)	1.6
Earnings per share (in NPR)	(2.2)	1.0
Net worth	106.6	109.7



Project Fact Sheet:

(i)	Project type	Run-of- River (RoR) type
(ii)	Project Location	Head Work site - Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River.
(iii)	Installed Capacity	4.00 MW
(iv)	Annual energy generation	24,284 MWh
(v)	Design discharge	4.9 m ³ /s
(vi)	Gross Head	103 m
(vii)	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.
(viii)	Power Evacuation	The generated power is evacuated through 14 km long 33 kV transmission line and connected to the Integrated Nepal Power System (INPS) at NEA's Udipur Sub-Station.
(ix)	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.



The increase of interest rates had its toll on the financial health of the company. A total of NPR 419.8 million was paid to the lenders as interest and principal repayment till FY 2067/68. As of Ashadh end 2067, the outstanding loan amount for the consortium loan, short term/working capital loan and OD facility is NPR 287.9 million. Nepal Rastra bank has accorded permission for rescheduling of term loan which is under advanced stage of processing at the consortium banks and is expected to complete soon. After rescheduling the cash flow of the company will improve substantially.

It has been planned to generate revenue of NPR 100 million in the FY 2068/69. Capital repair and

overhauling of all turbine parts eroded by silt and sediment of both turbine units are planned during the lean period (Poush- Baishakh) when the river discharge is minimum and sufficient to run only one unit.

The water of Khudi River contains a huge quantity of sediment during monsoon period. This high silt content during monsoon season is the major cause for severe erosion of turbine parts. This forces 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 is shut-down mostly during the high floods when the silt content goes above the operation limits.

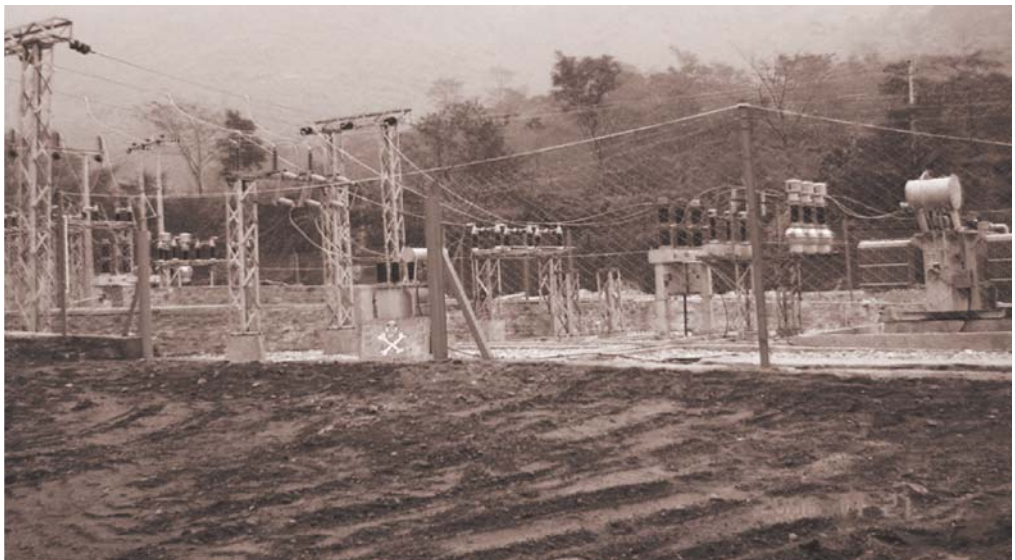
Khudi Hydropower Project's biggest contribution goes towards the people of Lamjung where load-shedding has been drastically reduced as compared to the rest of the country. The electricity supply from Khudi HP is consumed primarily in the surrounding areas of Khudi, Besisahar, Dumre and Bandipur. The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



electricity supply in Lamjung and Tanahu district has substantially improved after commissioning of Khudi Hydropower Project.

The royalty for installed capacity and the generation royalty have been paid regularly to DoED as per the Electricity Act 2049. Major portion of the Royalty paid by KHL will go towards the rural development. Khudi has paid NPR 8.65 million till FY 2067/68 since its commercial operation as royalty.

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



Hydro Consult Pvt. Ltd.

BPC acquired majority shares in Hydro Consult Pvt. Ltd. (HCPL) and merged its Engineering department, BPC Hydroconsult with it in 2009. HCPL has been in operation since 1998, where as BPCH has a track record of providing engineering consulting services since 1986. BPC Hydroconsult has provided engineering consultancy to several hydropower and irrigation infrastructure projects in addition to Feasibility Study, Detailed Design, environment and social impact studies and also in construction of BPC owned projects outside. It has worked with Statkraft Engineering in design and construction of 60 MW Khimti-I project and worked with NORPLAN AS in Melamchi. The firm currently comprises of 45 engineer including geologists and 5 environmentalists on its roster.

The FY 2067/68 has been good for HCPL. During that fiscal year HCPL recorded a turnover of NPR 56.3 million with net profit of NPR 8.9 million and net worth of NPR 19.5 million. There has been increase of 133% in turnover, almost 10 times in net profit and 83% in net worth during the FY 2067/68 compared to previous year.

Brief Financial Result

(in million NPR)

Particulars	2067/68	2066/67
Total operating income	56.3	24.2
Operating expenses	30.2	20.2
Gross operating profit	26.1	4.0
Other income	0.1	0.0
Administrative and other expenses	13.4	2.7
Net profit	8.9	0.9
Earnings per share (in NPR)	88.4	9.4
Net worth	19.5	10.7

Some of the major activities accomplished and in progress during the FY 2067/68 are as below:

- Review for the selection of Regional Hydro Power Plants in Nepal for interconnection to proposed SAARC regional grid was completed.

- Accomplished design review and detail design of Bheri Babai Diversion Multipurpose Project, Component B: Hydropower (48MW) was located in mid western Irrigation Department.
- Updated Feasibility Study, Tender Document Preparation, Social Impact Assessment Study, Preparation of ToR and Scoping for EIA as per the policy guidelines of World Bank and IFC of 37.6 MW Kabeli 'A' hydropower project. Approval of the submitted documents and finalization of tender documents is taking place including World Bank's appraisal. Currently detail design of the project is in progress. HCPL is closely working with Mott MacDonald UK in this project.
- Feasibility study of 140 MW Lower Manang Marsyangdi was completed. EIA study in Association with SWECO is in progress. Similarly tender document preparation and detail design of 140 MW Lower Manang Marshyangdi are continuing. HCPL is working with Bernard, Austria in reviewing and finalizing the design of this project.
- Detail design and Tender Document Preparation of 30 MW Nyadi Hydropower project are in progress.
- Construction Supervision in Sikta Irrigation is continuing.
- Detail Design of 4.2MW Tadi Hydropower Project was completed. Construction Supervision of the same is in progress.

Besides above projects, several other projects were carried out by HCPL like; Feasibility study and IEE of 42 MW Marsyangdi III, Repair and Maintenance of Khudi HEP and Jhimruk Impact Study, Review of 15.6 MW Mai Hydropower Project for the consortium of lending institutions lead by Laxmi Bank Ltd.

HCPL has bagged Engineering and consulting job in Kenya for Design Review and Construction Management of 5 MW Gura Hydropower Project.

The company is in dialogue with some Norwegian companies like NORPLAN, Multiconsult and FK for

youth exchange programs as a part of capacity building and experience sharing initiative.

Health and Safety of employees is the most important element in HCPL's business operation. It has taken all the measures for the safety of its employees at office and at sites. Special care has been taken for the safety of field staff at project sites. There is provision of accident insurance covering 24 hours a day and medical insurance for the employees. In the same way fire and other general insurance have been taken for the safety of office premises and other assets. Employees are provided with reasonable sick leave, paternity, maternity and personnel leaves considering their health and safety reasons.

It helps the hydropower developers in design and implementation of CSR plans in line with

their companies' CSR policies. HCPL has provided financial and technical contribution for the development of Turbine Testing Lab for the benefit of not only the Engineering students of Kathmandu University, but also for all stakeholders in hydropower sector.

Internal Audits are being carried out periodically by the independent auditor for the risk management of the company's assets, financial and accounting procedures and controls. The recommendations of the internal auditor and the decisions of the Audit Committee are put to action within due time.

M/s PP Pradhan & Co. conducted audit of books of accounts of HCPL. The auditor has issued an unqualified report on financial statements of the company.

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 is also providing competent technical expertise to the companies involved in hydropower development.

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

The company has also been aiming to take the existing power plants (below 5 MW) owned by NEA on lease for operation and maintenance, apprise the banks and financial institutions of

the importance of operation and maintenance management of the power plant and make strategic relations with them as well as provide services to the AEPC/REDP micro hydro.

OMM services to Khudi Hydropower Project was provided for 4 months (Shrawan to Kartik 2067) and completed the handover process of entire OMM of the plant to KHL itself as per the extended Contract Agreement between the company and KHL.

It has provided HR outsourcing services to group companies of BPC in JDMP, NHL and KEL. HR outsourcing agreement with KEL and NHL have been signed and will be continued till the completion of the projects.

BPCSL has studied viability of OMM opportunities with other IPPs such as Ankhu (8.4 MW), Sisne (750 kW), Thoppal (1.6 MW). Moreover, the study of leasing out NEA plants (<5MW), is being carried out for Tinau (1.2 MW).



From Left to Right: Gyanendra Lal Shrestha (CEO, NHL), Mrigendra Pradhan (CEO, KHL), Manohar Shrestha (CEO, HCPL), Prakash Awasthi (Project Manager, Kabeli HP)

The Company had a total income of NPR. 2.0 million and total expenses including the cost of sales and administration NPR 1.6 million resulting in a net profit of NPR 0.3 million during this fiscal year.

Brief Financial Result	<i>(in million NPR)</i>	
Particulars	2067/68	2066/67
Total operating income	0.7	9.1
Operating expenses	0.0	0.0
Gross operating profit	0.7	9.1
Other income	1.3	1.2
Administrative and other expenses	1.6	8.5
Net profit	0.3	1.3
Earnings per share (in NPR)	2.9	13.2
Net worth	11.3	11.0

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector for getting rid of the prolonged load shedding hours which we are currently facing and for rapid economical growth of the country. In order to meet these objectives, Government of Nepal (GoN) and Independent Power Producing Companies (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 magnificent market opportunity for the company who can provide operation and maintenance services to hydropower plants. BPCSL, a subsidiary company of BPC that has acquired sound experience and excellent expertise in operation and maintenance (O&M) of hydropower plant, is the only of its kind in the nation that has the competency for providing O & M services to upcoming

hydropower plants of any capacity. BPCSL has been aiming to capture such market opportunity by providing operation and maintenance services to different hydropower companies in near future to cater their needs from the construction to testing & commissioning and OMM. In the meantime, some of the private sector developers have already started negotiation to take O & M management services from BPCSL.

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 made easier to our client for planning and implementing different mitigation activities around the project areas. BPCSL has been actively coordinating, participating and assisting in the implementation of the following CSR activities for its clients:

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

Nyadi Hydropower Limited

The Project was first identified in 1993 as part of the Small Hydropower Master Plan. BPC acquired this project from LEDCO in December 27, 2006. A SPV, Nyadi Hydropower Ltd has been incorporated, for development of the project with BPC as major partner.

Nyadi Hydropower Limited was registered on 2063/11/17 as Public Limited Company and obtained approval for commencement of business on 2064/11/26 for the development of 20 MW Nyadi Hydropower Project located in Lamjung District. The project has been upgraded to 30 MW installed capacity. Feasibility study for 30 MW capacity has already been completed.

The corporate office of the NHL is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

IEE study has been approved by the Ministry of Energy, Government of Nepal. Process for PPA with NEA has been initiated and the Grid Connection Agreement has been achieved.

Out of 11 KM access road, track opening of 8 (eight) KM has completed. Necessary road



structures, slope stabilizing works like bio-engineering and gabion wall construction have also been completed up to Power House. Nursery is also well established. Bailey Bridge Construction is under completion. GIS mapping of project components, topographical features and land parcels have been documented. Detail Design of the project structures is underway.

First phase of pre-qualification for Civil, Hydro-mechanical and Electro-mechanical Works have been completed. Most of the Tender Documents have also been prepared, reviewed and finalized. Main construction of the project has been planned to start from mid 2012 and the plant will be commissioned by end 2015.

Project Fact Sheet

i.	Project type	Run-of- River (RoR) type
ii.	Project Location	Head Work site - Lamjung district, Bahundada VDC-2, ,Near Naiche village Power House site- Lamjung district, Bahundada VDC-7, Near Thulobeshi village
iii.	Installed Capacity	30 MW
iv.	Annual energy generation	168.5 GWh
v.	Design discharge	11.02 Cumec at Q40
vi.	Gross Head	333.9 m
vii.	Head Race Tunnel	3937 m
viii.	Power Evacuation	Inter-connection will be made to the Marsyangdi Corridor Transmission line planned by NEA at Khudi Hub.
ix.	Access to site	The site can be reached within 6 hours drive from Kathmandu. Power house site is at Thulobeshi village, 4 Km away from Thakanbeshi point at Besisahar-Manang road. Headworks Site is further 5 km away from Power house.



Till date, Project activities are well in line with project schedule with minor changes due to unfavorable weather, political and bureaucratic conditions.

In the FY 2068/69, NHL has planned to complete access road structure construction, housing, detail design of project components and remaining land procurement works. Beside these, the company will also finalize PPA, Financial Closer, Generation license and finalization of Contractors in same fiscal year.

Since the Project requires underground construction in intake tunnel, settling basin, headrace tunnel, surge shaft, drop shaft and powerhouse, it involves lots of uncertainties and risks. Hence, to address these issues, NHL has prepared a Risk management Plan (RMP) for underground works for the Project.

A detailed Environmental Mitigation Plan has been prepared as a part of IEE and approved

by the Ministry of Energy. NHL is on talks with different line agencies NGOs and CBOs for the participation and sharing Mitigation Activities. Jimruk Industrial Development centre (JIDCO.), Bio-Gas Support Program (BSP), Nepal Agriculture Research Development Fund (NARDF) and Project on Agriculture Commercial Training (PACT) are in contact with NHL for necessary cooperation.

Various Mitigation activities have continuously been carried out to enhance the Community Relations and Public Interest protection. A great care has been given to share the benefits of the project to the community.

NHL has entered into an agreement with People, Energy & Environment Development Association, for the implementation of a new concept called Pro-Poor Hydropower Project (PPHP), directed at facilitating poor local community into ownership of such profitable hydropower projects. Household survey in different cluster of Nyadi Hydropower Project's



affected area has been completed for collection of information required for implementation of PPHP program.

The project has planned for trainings for developing skill among the local people to maximize their involvement in the projection construction work. NHL has already provided skill development trainings to 55 local people in electrical, plumbing, mechanical, masonry and scaffolding works.

As per the recommendations in EIA and also to address the electricity need of locals, village electrification has been done in Naiche and Ludi village of Bahundandanda VDC and Bhulbule VDC respectively. NHL has provided

electricity poles and others accessories for the electrification of household in Niche village and Ludi village.

Nyadi Hydropower Project Concern Committee (NHPCC) was formed by local peoples for coordinating between Project and local peoples. An agreement was made with the Nyadi Project Concerning Committee. According to that agreement, NHL will support NHPCC for running its office.

NHP has established a nursery for production of seedlings for the purpose of bioengineering and slope stabilization. Established nursery will also provide seedlings to local Community's Forest Groups and Lease Hold forest Groups.

Kabeli Energy Ltd.

The project is located in Taplejung and Panchthar Districts, in the eastern part of Nepal. The project is a daily pondage run-of-river type located between elevations 400 m and 600 m above mean sea level.

This project utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharged into Tamor River after power generation. The gross head of the project is 118.8 m and the design discharge based at 40

percentile flow in the river is 37.73 m³/s. The project will have an installed capacity of 37.6 MW and will generate 202.3 GWh energy annually.

The project area is accessible through Mechi Highway. The headwork and powerhouse are accessible by 7.5 km and 14.5 km access road respectively from Mechi highway.

Project Development Agreement, with Government of Nepal (GoN), for development of the project on Build-Own-Operate-Transfer (BOOT) basis was signed in January 2010, and is being executed. The updated Feasibility Study of the project has been completed and approved by

Project Fact Sheet:

i.	Project type	Peaking Run-of-river (PRoR)
ii.	Project Location	Head Work site – Headworks of the project lies in Dhuseni area of Amarpur VDC-5 of Panchthar on the left bank and Thechambu VDC-5 of Taplejung. Power House site -Powerhouse of the project lies in Pinase Amarpur VDC-9 of Panchthar District.
iii.	Installed Capacity	37.6 MW
iv.	Annual energy generation	202.3 GWh
v.	Design discharge	37.73 m ³ /sec at Q40
vi.	Gross Head	118.8 m
vii.	Head Race Tunnel	4327 m
viii.	Power Evacuation	Power evacuation from switchyard of KAHEP
ix.	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

GoN. The pre-qualification of different lots Civil Surface, Civil Underground, Hydro-mechanical and Electromechanical have been completed and the tender documents are ready to release. Also, the detail design is in progress. Process for PPA with NEA has been initiated. Track opening of 24 km access road and bio-engineering work, including its slope stabilization towards headwork and powerhouse, have been completed and detailing is in progress to upgrade the access road.

The Dam Safety Plan has complied with the operational policy requirement of World Bank and discussions are ongoing with GoN regarding the terms and conditions for availing the World Bank loan. Apart from WB, we are also in discussions with IFC and local banks for financing the project. The financial closure is planned to be completed within the 1st Quarter of 2012, and the construction is to be commenced after financial closure.

In the FY 2068/69, KEL plans to complete upgrading work of access road, staff colony, remaining land procurement works, connection agreement with NEA, generation license from DoED and GIS mapping of the project



components. Also, plan is underway to address the mitigation measures spelled out in approved EMP/SAP.

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

Nepal Hydro & Electric Limited

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

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

NHE's major accomplishments are installation of Tinau 1MW, Darchula 0.25MW, Andhikhola 5.1MW, Jhimruk 12MW, Puwakhola 6.2MW, Khimti1 60MW, Modi 14MW, Chilime 20MW, Kaligandaki 'A' 144MW, Khudi 4 MW and 70 MW Middle Marsyangdi Hydropower Projects, 30 MVA 132/33kV Chandranigahpur, 63 MVA 132/33 kV Butwal Substation Projects of NEA. In the abroad market, the Company has reclaimed a few Pelton Runners for 336 MW Chhukha Hydropower Station in Bhutan.

The FY 2067/68 has been an improved year with sales revenue of NPR 482.7 million, a growth of 114% compared to previous year.

Brief Financial Result

(in million NPR)

Particulars	2067/68	2066/67
Total operating income	482.7	225.4
Operating expenses	401.6	177.0
Gross operating profit	81.1	48.4
Other income	14.5	9.4

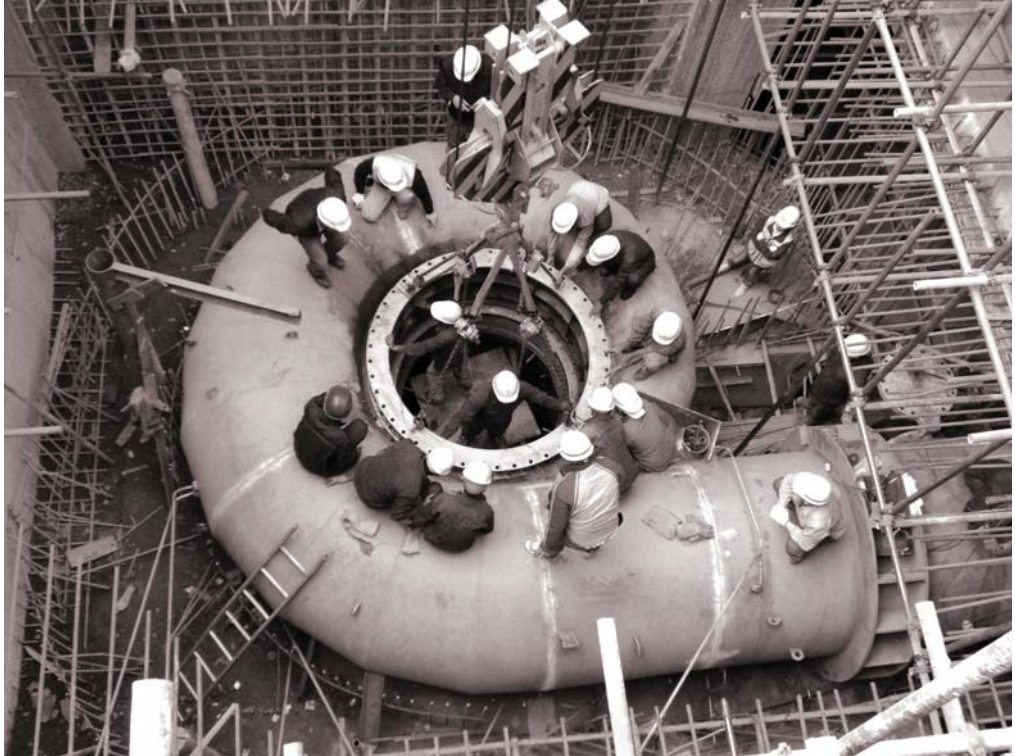
Among the major achievements this year, the Company entered into new contracts with ADB funded NEA 132 kV Butwal-Kohalpur Corridor Substation Project, World Bank funded 33/11 kV Rehabilitation and Capacity Upgrading Project Lot

1 and Andhikhola Upgrading Projects. In addition to these signings, the company also executed major jobs such as NEA Grid Department 63 MVA & 45MVA Power Transformer Projects, World Bank funded Rehabilitation and Capacity Upgrading Project and Kathmandu University Turbine Testing Lab project. Apart from these, hydro-mechanical and electro-mechanical works at 30 MW Chameliya, 10 MW Siprin, 5 MW Siuri project, and turbine repair at Marsyangdi, Bhotekoshi, Sunkoshi, Jhimruk, Gandak and Modikhola power plants are some of the major ongoing works. With the new contracts and the work in progress, the Company has orders worth of Rs 1.10 billion in hand, which is about 25% higher than that of previous year.

In view of the market and competitors' position, it is a challenge for the Company to compete in small hydro power project jobs and as well as in low level skill jobs. Hence, In order to maintain and upgrade the position of leading Hydro-mechanical and Electro-mechanical equipment manufacturer, the Company has planned to enhance technical capabilities in order to cater to mega hydropower projects. Also, after having successfully undertaken a few projects in Bhutan, NHE is further exploring market opportunities in the neighboring countries.

Some of the major international clients of the company include Alstom Power, Andritz Hydro GmbH, Druk Green Power Corporation, DSD Noell GmbH, Korea Hydro & Nuclear Power Corporation Ltd., Larsen and Toubro Ltd., Voith Hydro Holding GmbH & Co. KG, etc. In the national market, Nepal Electricity Authority and various IPPs are the major clients.

Like any infrastructure and manufacturing businesses in Nepal, the company's operation could not remain unaffected, directly or indirectly, by external factors of socio-economic and political volatility. Heavy load shedding hours have crippled the manufacturing sector, and NHE was no different with the increase of cost of



production and a continuous uphill battle to meet the deadlines. Another challenge the company is currently facing is the increased turnover of qualified experienced engineers and technical manpower which is critical. With this in mind, the management is continually undertaking various initiatives to address the issue.

Recognizing effective implementation of Quality Management System, TUV Germany has recertified and extended the company's

certification accrediting ISO 9001:2008 2011, which will be valid till 2014. In regard to safety, all the safety measures are enforced while executing the projects and works at various sites. The Company has been conducting safety awareness trainings to all levels of employees periodically. The management's continuous effort towards adhering to proper safety measure can be backed-up by data, which reveals that frequency of accidents have reduced by as much as 25% compared to previous year.



Ratna Shakya, Chief Finance Manager receiving National Best Presented Accounts Award 2010 from Mr. Khem Prasad Dahal, honorable Officiating Auditor General, at the function organized by Institute of Chartered Accountants of Nepal.

Financial Statements

2011



PP Pradhan & Co
Sanepa, Lalitpur, PO Box: 3242
Kathmandu, Nepal
Tel: +977 1 5532878

AUDITOR'S REPORT TO THE SHAREHOLDERS OF Butwal Power Company Ltd.

Report on the Financial Statements

We have audited the attached financial statements of Butwal Power Company Ltd., Which comprise the Balance Sheet as at 32 Ashadh 2068 (16 July 2011) and Profit and Loss Account, Statement of Changes in Equity, Statement of Cash Flow and significant accounting policies and notes relating to the annual accounts for the year ended on that date.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the attached financial statements give a true and fair view of the financial position of Butwal Power Company Ltd., as at 32 Ashadh 2068 (16 July 2011) and of its financial performance and cash flows for the year then ended in accordance Nepal Accounting Standards.

Report on other Legal and Regulatory Requirements

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

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

Pratap P Pradhan
For PP Pradhan & Co
Chartered Accountants
Date: 21 December 2011
Place: Kathmandu



BALANCE SHEET

As on 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	Schedule	2067/68	2066/67
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	1,015,269,400	922,967,500
Reserve & Surplus	2	1,489,487,919	533,820,213
Total Shareholder's Fund		2,504,757,319	1,456,787,713
2 Grant Aid in Reserve	3	206,185,385	173,014,453
3 Long Term Loan		118,111,415	57,970,205
TOTAL		2,829,054,119	1,687,772,371
II APPLICATION OF FUND			
1 Fixed Assets	4		
Gross Block		2,231,264,346	1,431,533,963
Less: Depreciation		709,728,713	649,868,310
Net Block		1,521,535,633	781,665,654
2 Work in Progress	5	205,487,789	95,403,540
3 Investment in Share	6	932,852,861	807,210,703
4 Current Assets:			
Stocks	7	83,412,766	104,543,202
Debtors & Accounts Receivable	8	184,140,402	93,726,115
Cash in Hand and at Bank	9	44,902,225	234,887,883
Advance & Deposit Paid	10	287,936,045	218,397,863
Total Current Assets		600,391,438	651,555,063
5 Less: Current Liabilities			
Short Term Loan		162,931,639	205,494,751
Creditors & Accounts Payable	11	149,189,320	301,553,795
Advance & Deposit Received	12	16,857,519	59,555,998
Provisions	13	107,130,620	87,102,911
Total Current Liabilities		436,109,098	653,707,455
Net Current Assets		164,282,340	(2,152,392)
6 Deferred Revenue Expenditure		4,895,495	5,644,867
TOTAL		2,829,054,119	1,687,772,371

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

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Bijay Bahadur Shrestha
Director

Bijay Krishna Shrestha
Director

Anup Kumar Upadhyay
Director

Ranjan Lohar
Chief Executive Officer

Radheshyam Shrestha
Vice President- Finance

As per our report of even date

Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants



Date: 21 December, 2011
Place : Kathmandu, Nepal

PROFIT AND LOSS ACCOUNT

For the year ended 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	Schedule	2067/68	2066/67
OPERATING INCOME			
Electricity Sale to NEA		408,575,229	387,896,108
Electricity Sale to Consumers	14	75,212,228	65,535,479
Electricity Services	15	9,228,309	9,136,813
Management and Technical Support	16	80,877,223	17,240,823
Total Operating Income		573,892,989	479,809,224
OPERATING EXPENSES			
Generation Expenses	17	144,495,163	137,841,840
Distribution Expenses	18	59,508,585	55,762,291
Management and Technical Support Expenses	19	19,555,767	12,071,650
Project Development Expenses	20	8,014,066	1,045,186
Total Operating Expenses		231,573,581	206,720,966
GROSS OPERATING PROFIT		342,319,408	273,088,258
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	21	73,502,775	83,252,504
Depreciation	4	62,199,324	60,632,368
Provision of Loss/(Income) in Investment	22	(6,360,430)	7,483,027
Interest on Loan		25,240,413	18,103,700
Total Administrative and Other Expenses		154,582,084	169,471,599
INCOME FROM OTHER SOURCES			
Interest Income		15,824,992	6,407,572
Other Income	23	1,791,274	1,698,338
Depreciation Being Revenue Portion of Grant Aid		9,407,824	7,547,367
Grant Support for Technology Transfer			2,077,247
Dividend Income		164,265,280	137,802,992
Foreign Currency Exchange Gain/(Loss)		(4,283,426)	(3,651,236)
Gain/(Loss) on Disposal of Assets & Stock Materials	24	2,295,016	(601,916)
Total Income From Other Sources		189,300,959	151,280,365
PROFIT (LOSS) BEFORE BONUS & TAX		377,038,284	254,897,024
Employees's Bonus		9,777,571	5,457,355
Provision for Corporate Tax		38,290,876	25,206,724
NET PROFIT (LOSS) BEFORE APPROPRIATION		328,969,837	224,232,945
Profit & Loss Appropriation Account:			
Last Years Balance		385,120,213	429,501,586
Profit for this Fiscal Year		328,969,837	224,232,945
Total		714,090,050	653,734,531
Less: 10% Stock Dividend		(92,296,750)	(83,905,770)
Less: Dividend	25 (3.v.)		(184,593,500)
Total Dividend		(92,296,750)	(268,499,270)
Prior Years Adjustment		(742,381)	(115,048)
Balance Transferred to Balance Sheet		621,050,919	385,120,213

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



Padma Jyoti
Director



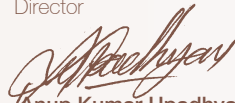
Bijay Krishna Shrestha
Director



Radheshyam Shrestha
Vice President- Finance



Pradeep Kumar Shrestha
Director



Anup Kumar Upadhyay
Director



Bijay Bahadur Shrestha
Chairman



Ranjan Lohar
Chief Executive Officer

As per our report of even date



Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants



STATEMENT OF CHANGES IN EQUITY

For the year ended 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	Share Capital	Revaluation Reserve	General Reserve	Retained Earnings	Total
Previous Year's Balance		922,967,500	148,700,000	385,120,213	1,456,787,713
Addition for the Year	92,301,900	719,737,000			812,038,900
10% Stock Dividend				(92,296,750)	(92,296,750)
Profit for the Year				328,969,837	328,969,837
Prior Year's Adjustment				(742,381)	(742,381)
Balance as on 32nd Ashadh, 2068	1,015,269,400	719,737,000	148,700,000	621,050,919	2,504,757,319

STATEMENT OF CASH FLOW

For the year ended 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	2067/68	2066/67
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	377,038,284	254,897,024
Adjustment for:		
Ordinary Depreciation	52,791,501	53,085,001
Depreciation Charged to Grant Aid in Reserve	9,407,824	7,547,367
Foreign Currency Exchange (Gain)/Loss	4,283,426	3,651,236
Interest Expenses	25,240,413	18,103,700
Interest Received	(15,824,992)	(6,407,572)
Dividend Received	(164,265,280)	(137,802,992)
Provision on Loss/(income) in Investment	(6,360,430)	7,483,027
Provision for Expenses	13,303,987	
(Gain)/Loss on disposal of Stock	(2,295,016)	601,916
Deferred Revenue Expenses	749,372	90,134
Written off of Assets	1,030,817	10,964,101
Operating Profit before Working Capital Changes	295,099,905	212,212,941
Decrease/(Increase) in Debtors & Accounts Receivable	(90,414,287)	77,633,259
Decrease/(Increase) in Stocks	23,425,452	(12,422,008)
Decrease/(Increase) in Advance & Deposit Paid	(67,153,314)	(30,330,214)
Increase/(Decrease) in Creditors & Accounts Payable	21,937,559	(145,076,216)
Increase/(Decrease) in Advance & Deposit Received	(42,698,479)	23,356,196
Cash Generated from Operations	140,196,837	125,373,958
Interest Paid	(25,240,413)	(18,103,700)
Foreign Currency Exchange Gain/(Loss)	(4,283,426)	(3,651,236)
Bonus Paid	(5,457,355)	(9,659,329)
Tax Paid	(27,591,593)	(12,246,889)
Prior year Adjustment	(737,231)	(111,018)
Net Cash Flows from Operating Activities (A)	76,886,819	81,601,786
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(83,363,120)	(87,922,633)
Investment in Share	(125,642,158)	(101,077,104)
Decrease/(Increase) in Work-in-Progress	(110,084,250)	(52,248,919)
Interest Received	15,824,992	6,407,572
Dividend Received	164,265,280	137,802,992
Net Cash Flows from Investing Activities (B)	(138,999,255)	(97,038,091)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Grant Aid in Reserve	33,170,932	44,006,922
Increase/(Decrease) in Long Term Loan	60,141,210	31,241,188
Dividend Paid	(178,622,251)	(167,811,540)
Net Cash Flows from Financing Activities (C)	(85,310,109)	(92,563,430)
Net Changes in Cash & Cash Equivalents (A+B+C)	(147,422,546)	(107,999,734)
Opening Cash and Cash Equivalents	29,393,132	137,392,866
Short Term Loan	162,931,639	205,494,751
Closing Cash and Cash Equivalents	44,902,225	234,887,883

Schedules to the Balance Sheet & Profit & Loss Account

Fiscal Year 2067/68 (2010/2011)

Share Capital

Schedule No. 1
(in NPR)

Particulars	2067/68	2066/67
Authorised Capital:		
80000000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
Issued Capital		
169000000 Shares of Rs.100/- each	1,690,000,000	1,690,000,000
Paid up Capital:		
Shares at face value of Rs. 100 each		
Government of Nepal*	92,293,400	83,903,100
Shangri-La Energy Ltd.	700,041,000	636,400,900
Interkraft Nepal A.S., Norway	61,403,800	55,821,600
United Mission to Nepal *	28,339,500	25,763,200
Nepal Electricity Authority	10,722,900	9,748,100
Nepal Industrial Development Corporation	610,100	554,600
Employees	16,781,100	16,781,100
General Public	105,059,300	93,978,400
Purna Prasad Adhikari	6,100	5,500
Balaram Pradhan	6,100	5,500
Suman Basnet	6,100	5,500
Total	1,015,269,400	922,967,500

*The Government of Nepal has requesteds BPC to transfer the UMN owned shares, which is in process.

Reserve and Surplus

Schedule No. 2
(in NPR)

Particulars	2067/68	2066/67
General Reserve	148,700,000	148,700,000
Revaluation Reserve	719,737,000	-
Retained Earnings	621,050,919	385,120,213
Total	1,489,487,919	533,820,213

Grant Aid in Reserve

Schedule No. 3
(in NPR)

Particulars	2067/68	2066/67
NORAD Grant for JHEREP II A - R.E.	15,159,771	16,423,085
UMN PCS Assistance for Rural Electrification	26,681,136	28,275,656
USAID Grant for Rural Electrification	17,032,849	18,421,722
USAID Support for REGDAN	15,417,208	16,156,791
JRP Grant for Enhancement of Power Plant	8,733,532	9,172,505
NMFA Support for REEP	90,586,422	62,161,857
KADOORI VDC	1,145,747	1,198,043
Udaypurkot VDC	356,938	374,206
Dhungegadhi VDC	1,546,880	1,341,808
Hansapur VDC	1,886,351	1,474,925
Dhakabang VDC	4,713,313	689,818
Bhingree VDC	778,447	646,036
Markabang VDC	66,692	69,634
Dharampani VDC	575,221	600,595
Akladi VDC	2,942,630	2,246,831
Kalikakot VDC	3,582,129	1,816,424
Banethok Deurali VDC	2,040,978	1,271,208
Sorek VDC	430,662	449,345
Tindobate VDC	226,882	186,097
Sekham VDC	468,657	489,108
Darchha VDC	939,067	770,066
Rampur VDC	513,704	535,709
Heklang VDC	838,828	698,521
Kuwakot VDC	81,476	84,919
Gejha VDC	107,813	112,369
Walling (Pension Camp)	41,848	43,616
Sirsekot VDC	77,206	80,468
Dhapuk VDC	165,903	172,915
Nepal Telecom (Banethok)	107,357	111,893
Sakhar VDC	361,941	286,481
Gandakot VDC	1,829,311	588,234
Narange DWP, Pakala	974,384	1,015,550
Sari VDC	321,024	334,586
NEPAL TELECOM, Pyuthan	257,584	268,466
Bangesal VDC	1,810,553	1,484,566
DDC- Arghakhanchi	2,840,400	2,960,400
Pelakot	58,150	-
Kalikakot (NCELL)	187,934	-
Spice Nepal Pvt. Ltd. (Pyuthan)	168,341	-
Tiram VDC	130,116	-
Total	206,185,385	173,014,453

Fixed Asset & Depreciation

Schedule No. 4
(in NPR)

Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 32nd Ashadh, 2067	Addition during the Year	Adjustment during the Year	As at 32nd Ashadh, 2068	As at 32nd Ashadh, 2067	Adjustment during the Year	Provided during this Year	As at 32nd Ashadh, 2068	As at 32nd Ashadh, 2067
Group A : Property and Power Plant:									
i : BPC Funded Asset									
Land	64,947,014			64,947,014	-			-	64,947,014
Access Road	5,760,000			5,760,000	3,436,800		230,400	3,667,200	2,092,800
Suspension Bridge	3,800,000			3,800,000	2,267,333		152,000	2,419,333	1,380,667
Guesthouse,Stores,Offices,Quarters	49,709,519		(741,063)	48,968,456	19,201,649	(471,810)	1,971,610	20,701,449	28,267,008
Power Plant Electro-Mechanical Equipment	340,000,757	4,434,600		344,435,357	185,920,331		13,565,922	199,486,253	144,949,104
Power Plant Civil Works	318,280,185			318,280,185	200,851,625		12,819,046	213,670,671	104,609,513
Switching Station	11,272,319		(50,850)	11,221,469	601,190	(2,712)	448,858	1,047,336	10,174,133
Sub-Station	9,532,542			9,532,542	127,101		381,302	508,403	9,024,139
33 KV Transmission Line Upgrading		5,388,192		5,388,192			71,843	71,843	5,316,349
1 KV Conversion into 11 KV		1,676,886		1,676,886			22,358	22,358	1,654,528
Transmission Line	151,836,401	2,419,595		154,255,997	83,433,771		6,116,060	89,549,830	64,706,166
Distribution Line	166,472,983	13,571,616		180,044,598	56,746,407		6,839,455	63,585,863	116,458,736
Sub - Total i	1,121,611,720	27,490,889	(791,913)	1,148,310,697	552,586,207	(474,522)	42,618,854	594,730,539	553,580,158
ii : Grant Aided Asset									
Transmission Line	15,325,975	2,669,579		17,995,555	3,756,209		637,680	4,393,888	13,601,667
Distribution Line	152,805,522	22,149,665		174,955,186	38,149,479		6,406,210	44,555,689	130,399,497
Power Plant Electro-Mechanical Equipment	15,574,320			15,574,320	5,865,897		622,973	6,488,870	9,085,450
Switching Station	9,741,564			9,741,564	519,551		389,663	909,214	8,832,350
Sub-Station	23,961,984			23,961,984	319,493		958,479	1,277,972	22,684,012
Land	1,614,010			1,614,010	-			-	1,614,010
Transmission Sub-station	1,760,314			1,760,314	375,536		70,413	445,949	1,314,365
33 KV Transmission Line Upgrading		13,544,317		13,544,317			180,591	180,591	13,363,726
1 KV Conversion into 11 KV		4,215,194		4,215,194			56,203	56,203	4,158,991
Sub - Total ii	220,783,689	42,578,755	-	263,362,444	48,986,164	-	9,322,212	58,308,376	205,054,068
Total A (i+ii)	1,342,395,409	70,069,645	(791,913)	1,411,673,141	601,572,371	(474,522)	51,941,065	653,038,914	758,634,226
Group B: Office Equipment & Furniture									
i : BPC Funded Asset									
Computer & Accessories	15,227,976	2,737,665	(914,382)	17,051,260	8,957,835	(501,252)	2,040,111	10,496,693	6,554,567
Furniture & Fixture	2,845,360	467,410	(66,057)	3,246,713	1,471,961	(53,117)	450,131	1,868,975	1,377,739
Office Equipment	15,607,811	1,064,370	(401,999)	16,270,181	8,939,807	(226,424)	1,843,346	10,556,729	5,713,452
Sub - Total i	33,681,147	4,269,445	(1,382,438)	36,568,154	19,369,603	(780,793)	4,333,588	22,922,397	13,645,757
ii : Grant Aided Asset									
Office Equipment	1,574,260			1,574,260	1,231,812		85,612	1,317,424	256,836
Sub - Total ii	1,574,260	-	-	1,574,260	1,231,812	-	85,612	1,317,424	256,836
Total B (i+ii)	35,255,406	4,269,445	(1,382,438)	38,142,414	20,601,415	(780,793)	4,419,199	24,239,821	13,902,593
Group C: Vehicle									
Vehicles	37,355,906	7,644,900	(1,072,315)	43,928,491	18,752,568	(980,588)	4,238,377	22,010,357	21,918,134
Group D: Workshop Plant and Equipment									
Workshop Plant & Equipment	12,803,911	873,543	(37,832)	13,639,622	6,494,198	(17,777)	1,026,218	7,502,638	6,136,983
Construction Equipment	50,000			50,000	45,568		665	46,233	3,767
Other Office Equipment & Tools	1,333,116	45,200		1,378,316	867,684		74,358	942,042	436,274
Total D	14,187,027	918,743	(37,832)	15,067,937	7,407,449	(17,777)	1,101,240	8,490,913	6,577,024
Group E: Intangible Assets									
Computer Software	2,340,216	460,388	(85,240)	2,715,364	1,534,507	(85,240)	499,442	1,948,708	766,655
Grand Total (A+B+C+D+E)	1,431,533,963	83,363,120	(3,369,737)	1,511,527,346	649,868,310	(2,338,921)	62,199,324	709,728,713	801,798,633
Total Asset BPC Funded	1,209,176,015	40,784,365	(3,369,737)	1,246,590,643	599,650,334	(2,338,921)	52,791,501	650,102,914	596,487,729
Total Asset Grant Aided	222,357,948	42,578,755	-	264,936,704	50,217,976	-	9,407,824	59,625,800	205,310,904
Revalued Asset:									
Land			231,555,000	231,555,000				-	231,555,000
Building			41,999,000	41,999,000				-	41,999,000
Power Plant & Machinery			446,183,000	446,183,000				-	446,183,000
Revalued Total Asset	-	-	719,737,000	719,737,000	-	-	-	-	719,737,000
Grand Total with revalued asset	1,431,533,963	83,363,120	716,367,263	2,231,264,346	649,868,310	(2,338,921)	62,199,324	709,728,713	801,798,633

Work in Progress

Schedule No. 5

(in NPR)

Particulars	2067/68	2066/67
A: Capital Work in Progress:		
Rural Electrification on MFA Grant (REEP)	3,420,329	3,395,244
BPC New Office Building	91,804,383	31,059,436
Sub Total	95,224,712	34,454,680
B: Project Work in Progress:		
Andhikhola Upgrading	60,210,364	37,001,492
Bhim Khola SHP	-	6,118,618
Lower Manang Marshyangdi HEP	50,052,714	3,584,341
KABELJ - A Project		12,129,268
BPC Distribution Expansion		830,689
Demand Side Managemet Study		782,047
Due Deligence - Super Madi	-	26,202
Uper Mai khola HP	-	26,510
Construction Mgmt of Sikta Irrigation Project	-	24,626
Gura SHP	-	425,066
Sub Total	110,263,078	60,948,860
Total	205,487,789	95,403,540

Investment in Shares (unlisted companies)

Schedule No. 6
(in NPR)

Particulars	2067/68	2066/67
A: Shares are at face value at cost		
Himal Power Limited	434,931,461	434,931,461
Nepal Hydro & Electric Limited	71,580,000	71,580,000
Jhimruk Industrial Dev. Center (P) Limited	4,500,000	4,500,000
Hydro Lab (P) Limited	1,000,000	1,000,000
Khudi Hydropower Limited	50,400,000	50,400,000
Khudi Hydropower Limited (Preference Share)	57,600,000	57,600,000
BPC Services Limited	10,000,000	10,000,000
Nyadi Hydropower Limited	139,510,700	72,915,000
Keton Hydropower Co. Limited	14,400,000	14,400,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	8,100,000	8,100,000
Hydroconsult Pvt. Limited	8,000,000	8,000,000
Sub Total	800,661,661	734,065,961
B: Advance/Investment toward Share		
Khudi Hydropower Limited	20,350,000	18,000,000
Nyadi Hydropower Project	20,566,406	10,000,000
Keton Hydropower Co. Pvt. Limited	500,000	500,000
Hydroconsult Pvt. Limited	1,872,348	1,422,656
Kirne HEP	37,368,814	28,722,086
Kabeli Energy Limited	51,533,632	14,500,000
Sub Total	132,191,199	73,144,742
Total	932,852,861	807,210,703

Stocks

Schedule No. 7
(in NPR)

Particulars	2067/68	2066/67
General Stock/Office Supplies/Consumer Service Item	8,766,157	15,418,154
Stock of Electric Goods	6,032,110	5,021,867
Power Plant Simulator/Power House Equipment	41,174,629	34,393,574
T/L & D/L Stock	26,024,040	48,418,139
Steel Stock	304,384	44,465
GI Fittings	93,574	99,985
Fuel/Lubricants	1,173	102,073
Vehicle Spareparts	132,883	126,035
Medical Stock	9,336	44,430
Power House Equipment (JRP Grant)	874,481	874,481
Total	83,412,766	104,543,202

Debtors & Accounts Receivable

Schedule No. 8
(in NPR)

Particulars	2067/68	2066/67
Sundry Debtors	624,663	739,400
Nepal Electricity Authority	27,595,415	31,825,811
NEA Receivable (more than 2 years)	5,228,843	5,228,843
Local Consumers	5,743,643	4,998,917
Other Receivables	2,478,025	577,183
Accrued Interest	9,701,807	95,768
Retention Receivable	30,000	30,000
Bank Guarantee Margin	3,791,500	3,762,500
Sulav Co-operative Society Limited	20,340	285,365
Stale Cheque	525,000	36,375
CIT Clearing A/C	57,210	-
PF Clearing A/C	14,528	-
Norwegian Embassy	-	40,945
Dhungegadhi VDC	-	497,239
Hanspur VDC	-	332,048
Bhingree VDC	-	30,005
Bangesal VDC	-	1,599,999
Sari VDC	-	383,140
Himal Power Limited	-	86,060
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	10,599,903	11,283,717
BPC Services Limited	5,678,070	5,733,701
Nyadi Hydropower Limited	4,120,410	5,246,170
Keton Hydropower Limited	2,354,197	1,945,761
BPC - SILT Joint Venture	851,306	851,306
BPC - HES - WRC Joint Venture	-	148,045
Hydroconsult Pvt. Limited	-	17,935,582
Kabeli Energy Limited	104,725,544	32,236
Total	184,140,402	93,726,115

Cash in Hand and at Bank

Schedule No. 9
(in NPR)

Particulars	2067/68	2066/67
Office Cash	578,648	494,089
Current Bank A/c	6,343,563	8,641,807
US Dollar A/c	11,226,778	50,648,699
Call/Time/Fixed Deposit	25,914,450	62,193,247
US Dollar Deposit	838,786	112,910,040
Total	44,902,225	234,887,883

Advance & Deposit Paid

Schedule No. 10
(in NPR)

Particulars	2067/68	2066/67
Advance Income Tax	27,712,447	25,327,578
Loan & Advance to Staff	444,052	422,638
Gratuity Fund in CIT	80,710,121	64,313,214
Deposits	3,012,196	5,707,331
Various Advances	8,237,017	254,912
Rabina Construction/Sharma & Co. JV	8,729,093	16,481,480
Lamjung Electricity Dev. Co.(LEDCCO)	-	347,500
Prepaid Insurance Premium	1,000,000	1,000,000
S.N. Power	293,450	200,000
Prepaid Expenses	797,814	584,098
SCP Hydro International, Canada	4,639,481	139,481
Andhikhola Upgrading Project Advances	48,534,464	-
NMFA Advances	-	291,720
Deposit against Tax Administrative Review	101,992,910	101,992,910
Government Deposit	1,833,000	1,335,000
Total	287,936,045	218,397,863

Creditors & Accounts Payable

Schedule No. 11
(in NPR)

Particulars	2067/68	2066/67
Sundry Creditors	18,335,309	10,117,602
Gratuity Fund Payable	85,790,357	77,665,970
Bonus Payable	9,777,571	5,457,355
Community Development Fund	-	4,074
Loyalty Bonus Fund	768,000	576,000
Retention Payable	6,318,337	5,422,332
Audit Fee Payable	216,960	197,750
Royalty Payable	2,446,167	2,681,207
TDS Payable	1,964,601	2,157,376
Dividend Payable	8,877,776	187,500,027
VAT Payable	10,353,715	1,730,073
Share Purchase Price Payable (Keton HP)	1,400,000	1,400,000
Employees Accounts Payable	1,600,703	2,829,652
Nepal Telecommunication Corporation	-	80,670
Welfare Fund Clearing A/C	827,137	270,034
CIT Clearing A/C	-	34,500
Subsidiaries and Joint Venture:		
Nepal Hydro & Electric Limited	166,597	3,429,172
BPC - HES - WRC Joint Venture	296,981	-
Hydroconsult Pvt. Limited	49,108	-
Total	149,189,320	301,553,795

Advance & Deposit Received

Schedule No. 12
(in NPR)

Particulars	2067/68	2066/67
Customer Deposit	25,650	27,650
Security Deposit	302,307	519,702
Advance Received From NMFA	13,620,306	56,166,482
Advance Received from DDC and VDC	1,376,670	2,842,163
Advance Received From GTL Nepal Pvt. Ltd.	1,532,586	-
Total	16,857,519	59,555,998

Provisions

Schedule No. 13
(in NPR)

Particulars	2067/68	2066/67
Corporate Tax for the Year	38,290,876	25,206,724
Corporate Tax for 2060/61 (under Appeal)	16,774,216	16,774,216
Provision of Loss in Investment	38,761,541	45,121,971
Provision for Expenses	13,303,987	-
Total	107,130,620	87,102,911

Electricity Sale to Consumers

Schedule No. 14
(in NPR)

Particulars	2067/68	2066/67
Metered Consumers	48,928,909	42,443,869
Unmetered Consumers	581,970	747,114
Industrial Consumers etc.	8,212,715	8,005,520
User's Organization	17,488,634	14,338,976
Total	75,212,228	65,535,479

Electricity Services - Income

Schedule No. 15
(in NPR)

Particulars	2067/68	2066/67
Fee and Charges	1,539,427	1,244,632
Sale of Meter/Cutout & Accessories	7,688,882	7,892,182
Sub-Total	9,228,309	9,136,813

Management & Technical Support - Income

Schedule No. 16
(in NPR)

Particulars	2067/68	2066/67
Managemnet Support Service (Nyadi)	3,205,237	1,679,054
Managemnet and Advisory Service (HCPL)	1,382,131	520,000
Management Support Service (Kabeli)	76,289,855	-
Managemnet Support Service (Keton)	-	770,899
Managemnet Support Service (KHL)	-	431,404
Khimti I Fish Monitoring Works	-	74,000
Nyadi Hydropower Project	-	2,855,011
Design & Construction Supervision of Khudi HP	-	512,878
FS & ESIA of Tamakoshi 2 & 3 HP	-	660,471
FS & EIA of Marsyandi III HP	-	845,998
Tadi Khola HP - Design Review Works	-	4,147,494
Kabeli A Project	-	2,204,605
Nyadi HP Works of Construction Phase	-	1,494,373
Nyadi HP Additional Job	-	766,121
Marsyandi III Additional Works	-	92,724
Tadi khola HP Construction Supervision	-	11,000
KHL-Design Review	-	10,524
Bhery Babai Project	-	164,267
Total	80,877,223	17,240,823

Generation Expenses

Schedule No. 17
(in NPR)

Particulars	2067/68	2066/67
Electricity Purchase	16,822,901	11,582,285
Staff Cost	38,295,729	36,953,330
Office Overhead	4,851,760	4,087,507
Vehicle Operation & Maintenance	1,044,275	1,332,652
Environment, Community & Mitigation	1,296,001	1,103,367
Mitigation (JDMP)	3,547,564	2,688,556
Power Plant Operation & Insurance	6,621,981	7,291,623
Power Plant Maintenance	9,934,080	14,001,739
Deferred Expense - Mitigation Works	5,073,064	5,810,764
Royalty	56,275,233	52,522,483
Transmission Line Repair & Maintenance	463,322	437,729
Expenses Written Off	269,253	29,805
Total	144,495,163	137,841,840

Distribution Expenses

Schedule No. 18
(in NPR)

Particulars	2067/68	2066/67
Staff Cost	28,677,561	25,982,830
Office Overhead	3,963,185	3,584,199
Vehicle Operation & Maintenance	1,511,016	1,540,369
T/L Maintenance	67,993	139,299
D/L Network Operation	14,223,770	13,681,404
D/L Network Repair & Maintenance	3,064,587	3,268,620
Subsidy on sales of meter	479,250	585,900
Royalty	7,521,222	6,458,030
Expenses Written Off	-	521,640
Total	59,508,585	55,762,291

Management and Technical Support : Expenses

Schedule No. 19
(in NPR)

Particulars	2067/68	2066/67
Managemnet Support Service (Nyadi)	2,968,456	1,445,922
Managemnet Support Service (Keton)	1,873,838	670,347
Managemnet and Advisory Service (HCPL)	1,210,189	129,191
Management Support Service (Kabel)	13,503,284	2,049,574
Khimti I Fish Monitoring Works	-	150,597
Nyadi Hydropower Project	-	1,757,054
KHL-Design Review	-	10,524
Design & Construction Supervision of Khudi HP	-	360,080
FS & ESIA of Tamakoshi 2 & 3 HP	-	608,388
FS & EIA of Marsyandi III HP	-	542,639
Nyadi HP Works of Construction Phase	-	1,147,436
Nyadi HP Additional Job	-	512,044
Marsyandi III Additional Works	-	59,585
Tadi khola HP Construction Supervision	-	10,000
Tadi Khola HP - Design Review Works	-	2,618,270
Total	19,555,767	12,071,650

Project Development: Expenses

Schedule No. 20
(in NPR)

Particulars	2067/68	2066/67
Bhim Khola SHP	6,348,618	-
BPC Distribution Expansion	830,689	-
Demand Side Managemet Study	782,047	-
Due Deligence - Super Madi	26,202	-
Uper Mai khola HP	26,510	-
Khare Khola SHP	-	1,522
BPC Design Guideline	-	14,531
Sustainable Land use & Agro-Enter. Dev.	-	128,747
Feasibility & EIA of Lower Hounge	-	12,129
Nyasem Khola SHP	-	4,334
Due-Deligence-Namarjun Madi HP	-	9,850
Int'l Certification Process	-	67,030
Engineering Minor Tasks	-	9,810
Due-Deligence of Baramchi	-	70
Project Bidding -Khimti II	-	84,760
Project Bidding Lower Solu	-	92,681
MP& BDD	-	50,000
Khimti-2 Category -B	-	50,000
Due Deligence -Lower Khare	-	227,693
Due Deligence-Dordi I	-	194,527
Due Deligence -Karnali	-	37,137
Lowe Solu Hydroelectric Project	-	60,366
Total	8,014,066	1,045,186

Administrative Expenses

Schedule No. 21
(in NPR)

Particulars	2067/68	2066/67
A: CEO's Remuneration and Expenses	6,607,021	6,594,957
B: Staff Cost:		
Salary	20,546,218	16,990,635
Allowance	14,620,710	11,131,470
Provident Fund	1,807,638	1,577,930
Paid Leave	5,422,368	1,935,887
Daily Wage	71,586	249,283
Overtime	1,532,271	1,309,397
Gratuity	3,663,115	5,170,034
Insurance	510,799	414,605
Festival Allowance	1,608,065	1,431,305
Performance Allowance	5,647,481	1,880,907
Out Sourcing Service	703,139	-
Sub-total	56,133,390	42,091,453
C: Office Overhead:		
General Office Overhead	11,395,529	10,465,129
Training and Development	1,353,532	1,157,293
CSR Expenses	21,549	160,000
External Audit Fee and Expenses	334,588	279,814
Internal Audit Fee and Expenses	566,161	546,562
ISO and Other Audit Fee and Expenses	611,641	598,389
Board Meeting Expenses	556,666	653,638
AGM Expenses	275,315	285,771
Vehicle O & M Expenses	421,261	(59,098)
Consultancy Expenses	2,910,587	3,395,071
Legal Expenses	151,445	2,000
Share Registrar/Related Expenses	182,851	285,836
Listing Fee/Renewal Expense	234,604	3,941,097
Insurance and Property Taxes	879,272	762,071
Communication Expenses	2,684,033	2,293,782
Travel/Daily Allowance	4,164,367	3,436,808
Union Expenses	347,408	367,544
Write Off Expenses	118,030	50,903
Project License Fee/Renewal	50,000	-
Technical Support Overhead	-	8,997,406
Overhead Charged to Projects	(16,496,474)	(3,053,923)
Sub-total	10,762,365	34,566,094
Total Administrative Expenses	73,502,775	83,252,504

Provision of Loss/(Income) in Investment

Schedule No. 22
(in NPR)

Particulars	2067/68	2066/67
Khudi Hydropower Limited	(7,432,532)	7,297,912
JIDCO	1,072,102	185,115
Total	(6,360,430)	7,483,027

Other Income

Schedule No. 23
(in NPR)

Particulars	2067/68	2066/67
Housing Services	125,136	131,909
Guest House Income	123,645	160,875
Income from Other Sources	1,338,264	944,540
Personnel Services	13,572	-
Store Services	15,898	2,337
Equipment on Hire	58,607	30,000
Other General Services	116,151	428,677
Total	1,791,274	1,698,338

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

Schedule No. 24
(in NPR)

Particulars	2067/68	2066/67
Sale Proceed of Stock Materials	6,675,386	11,875,288
Less: Cost of Stock Materials	(6,619,541)	(11,920,620)
Gain/(Loss) on Sale of Assets/Scrap Materials	2,239,171	(556,584)
Total	2,295,016	(601,916)

Schedule No. 25

Significant Accounting Policies and Notes Relating to the Annual Account for the Fiscal Year 2067/68 (2010/11)

1. Background

Butwal Power Company Limited was established in 2022 (1966) as a private limited company registered 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, 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), Interkraft AS, Norway (IKN), Government of Nepal (GoN) and General Public. In these financial statements Butwal Power Company Limited has been referred as "BPC" or the "Company".

The corporate office of the BPC is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

The activities of the BPC include:

- Generation of Hydro electricity
- Distribution of Hydro electricity
- Project Development and Management Support

These financial statements apply to the financial year ended 32nd Asadh 2068 (16th July 2011).

2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

and the prevailing rules of the Company Act 2063 (2006) and the Electricity Act 2049. Except where otherwise stated, they are based on accrual and historical cost convention basis.

B. Capitalization of Fixed Assets

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

Increase in assets' carrying amount as a result of revaluation is credited directly to equity under the heading revaluation surplus. If an assets' carrying amount is decreased as a result of a revaluation, the decrease will be 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 existing in the revaluation surplus in respect of that asset.

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

All direct costs relating to the acquisition and installation of fixed assets are capitalized. Rural electrification networks are capitalized according to actual accumulated direct overhead and direct material costs used in erection and commissioning. Office furniture, equipment and vehicles costing less than NPR. 5,000 per unit and plant equipment

costing less than NPR.10,000 per unit is charged to the profit and loss account in the year of purchase.

C. Depreciation and Amortization

The depreciation of power plant, transmission and distribution lines is provided by using the straight line method as per the Electricity Act 2049. Depreciation of office furniture, equipment, vehicles and other assets are depreciated using the diminishing balance method at rates prescribed in the Income Tax Act 2058. Deferred revenue expenditures are amortized in five years while river training expenses are amortized in three years. Depreciation charge for each period has been recognized in profit or loss. However, depreciation in respect of revaluation of assets shall be transferred from revaluation surplus.

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

Income for ongoing contracts is invoiced as per the contract agreement with the party. Expenditure on on-going contractual work is shown at cost as current work in progress, while ongoing rural electrification works are shown as capital work in progress.

Expenditure on ongoing feasibility studies and business development expenses is valued at cost and shown as current work in progress.

G. Grant Aid in Reserve

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

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

H. Retirement Benefits

Retirement benefits for employees includes the provident fund, citizen investment fund and gratuity fund scheme. Periodic contributions made to the provident fund are charged to revenue. While provisions for gratuity is made in accordance with BPC's gratuity scheme, the actual gratuity is computed based on the basic salary at the end of the fiscal year and an incremental gratuity for the year is 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 super annuation or separation.

I. Provision for Employee Bonuses

A 2% bonus on net profit from electricity income in line with the provisions of the Electricity Act 2049 and 10% on net profit from other sources as per provisions of Bonus Act 2030 have been provided in profit and loss statement. Bonus provision also includes 2% of dividend income received from Himal Power Limited (HPL), which is in continuation with the spirit of agreement entered with the Union dated 2062/12/31.

However, to follow the correct legal provision and proper accounting practices in preparing financial statements of the Company from next fiscal years the agreement with the Union dated 2062/12/31 is under review to exclude the dividend income from subsidiaries and associates companies including HPL, which is final income after deduction of income tax at source in the hands of the recipient company and on which bonus has been paid by dividend-originating-company to those who have contributed in the generation of profit in calculating bonus provision.

J. Asset Retirement

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

K. Changes in Accounting Policies

The company has changed the accounting policies with effect from this fiscal year as under.

- To revalue the companies operating fixed assets classified as Land, Building and Plant and machineries every three years.
- To recognize the expenses of performance linked incentives and accumulated leave on an accrual basis, and
- To recognize the interest income on the gratuity fund on an accrual basis.

3. Notes to the Accounts

a) Paid-up Share Capital

After Privatization on 15 Magh, 2059 (29 January, 2003), M/s Shangri-La Energy Limited is BPC's majority shareholder with shareholdings of 68.9%. As per the provisions

of the Share Sale and Purchase Agreement, GoN issued a 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained a 9.09% shareholding. The UMN owned shares are in proceeding of transfer to GoN. After the transfer the GoN shareholding shall be 11.88%. The company is listed in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). The closing market price of the share as on balance sheet date was NPR. 739/- per share. The face value of share is NPR. 100/- per share.

As decided by the 18th annual general meeting of the shareholders, 10% Bonus share has been distributed to the shareholders which increased the paid up share capital by NPR92,301,900. The issuance of 3:2 right shares to the shareholders is in process.

b) Effects of changes in accounting policies

Fixed Assets

The fixed assets classified under land, building, power plant and machinery of the company are revalued at fair market value as on the last day of the previous fiscal year's balance sheet date. The total gain on revaluation NPR. 740,312,000 and subsequent year's depreciation NPR. 20,575,000 have been recognized in the financial statement with the net increase in the revaluation reserve NPR. 719,737,000.

With this revaluation, the net worth of BPC as on balance sheet date has been increased by NPR 719,737,000.

(in NPR)

Class of Property	Gain on Revaluation	Subsequent year's depreciation	Net Revaluation Reserve
Land	231,555,000	-	231,555,000
Building	43,860,000	1,861,000	41,999,000
Plant and Machinery	464,897,000	18,714,000	446,183,000
Total	740,312,000	20,575,000	719,737,000

Recognition of the staff cost expenses on an accrual basis

The provision of the expenses NPR 7,094,987 for accumulated leave and NPR 6,209,000 for performance linked incentive for the fiscal year have been made and to this extent the net profit NPR. 13,303,987 has been reduced in the reported year.

Recognition of the interest income on gratuity fund on an accrual basis

The interest accrued on gratuity fund NPR 6,062,753 for the fiscal year has been recognized as income and to this extent the net profit has been increased in the reported year.

c) Grant Aid in Reserve

The depreciation on grant aided assets for the year of NPR. 9,407,824 have been charged against grant aid in reserve as shown below.
(in NPR)

Source of Grant	Depreciation	Closing Balance
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	15,159,771
UMN PCS contributions for rural electrification	1,594,519	26,681,136
USAID grant for rural electrification	1,388,873	17,032,849
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	15,417,208
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	438,973	8,733,532
NFMA Support for Rural Electrification Expansion Project	2,915,981	90,586,422
Local VDC/Community	1,066,581	32,574,466
Total Grant Aid in Reserve	9,407,824	206,185,385
Less: Inventory items under JRP Grant		(874,481)
Total Grant Aided Assets		205,310,904

d) Investments, Associates, Subsidiaries and Joint Venture

i. Investment in Shares

BPC has equity investments in the following companies valued at cost.

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	1,395,107	100	139,510,700	139,510,700	97.22
Keton Hydropower Limited	144,000	100	14,400,000	14,400,000	90
Kabeli Energy Limited	81,000	100	8,100,000	8,100,000	54
Hydro-consult Private Limited	80,000	100	8,000,000	8,000,000	80
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Jhimruk Industrial Dev. Center (P) Limited	45,000	100	4,500,000	4,500,000	24.0
Hydro Lab (P) Limited.	10,000	100	1,000,000	1,000,000	20.0
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	19.03

Fair Value of the Investments

The fair market value of the BPC's investment in shares of its subsidiaries and associates on equity basis as on previous year's balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NPR. 1,192,365,072 has been identified as on previous year's balance sheet date. This surplus is not recognized in the financial statement. There is no material difference in the fair value in the reporting year.

Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057(5 July, 2000). HPL was established on 2049/11/10 (21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energi AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current major shareholders of HPL are S.N. Power, BKK Norway and BPC, Nepal.

HPL sold NPR. 2.472 billion worth of electricity in FY 2067/68 and has a net worth of NPR. 6.705 billion.

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 company manufactures and refurbishes hydro and electric power equipments. 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 2067/68 was NPR. 482 million and its net worth is NPR. 205.8 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 (LEDSCO) and SCP Hydro International Inc., Canada.

BPC's preference share of Khudi is a redeemable cumulative non-voting class of shares with an annual dividend of 2.5% over the interest rate of the principal loan as per Article 1.2.24 of the Shareholders Agreement. The conversion of the preference share into ordinary shares is in process.

KHL sold NPR 91.151 million worth of electricity in FY 2067/68 and its net worth as of 32 Ashad 2068 was NPR 106.4 million.

Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 20-MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL followed by LEDSCO. BPC is planning to hold 57.22% shareholding divesting remaining shares to other partners. Discussions are going on with IFC and other partners in this regard. The project has optimized electricity generation at 30 MW installed capacity.

BPC's equity investment in this company has increased by NPR. 66,595,700 in this year. The project is under PPA negotiation stage.

Keton Hydropower Limited

BPC has purchased 90% shares in Keton Hydropower Limited for the development of the

42-MW Marsyangdi-III Hydropower Project in the southern part of Lamjung District in western Nepal. BPC is the major shareholder in Keton Hydropower Limited.

Kabeli Energy Limited

Kabeli Energy Ltd. is a special purpose vehicle established for the development of 30 MW 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.

Hydro-consult Private Limited

The engineering business of BPC has been operated through HCPL, subsidiary company of BPC. The engineering business unit of BPC has been merged with HCPL with effect from 1 Srawan 2066.

BPC acquired 80% share of this company by transferring its engineering business assets in HCPL. HCPL is a consulting engineering service provider promoted by PEEDA.

HCPL's turnover in FY 2067/68 is NPR 56.25 million and its net worth is NPR 19.5 million.

BPC Services Limited

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

BPCSL's turnover in FY 2067/68 is NPR. 0.714 million and its net worth is NPR 11.27 million.

Jhimruk Industrial Development Centre (P) Limited.

JIDCO was established in 2054 B.S. in Pyuthan District as part of BPC's corporate social

responsibility initiative. JIDCO promotes skill development among the locals and is involved in various community and enterprise development program.

In FY 2067/68, JIDCO's turnover was NPR. 1.83 million*. The net worth of the company stood at NPR. 7.7 million. Board of Directors of JIDCO has decided to liquidate this company.

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, and others.

The turnover of Hydro Lab in this fiscal year was NPR. 29.27 million. At the end of the fiscal year its net worth was NPR. 43.18 million.

Jumdi Hydropower Private Limited

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

ii. Participation in Joint Venture

BPC-HES-WRC Joint Venture

BPC is the lead partner of the JV, with other two JV partners, to conduct a feasibility study and an environmental impact assessment of the Madhi, Inkhu and Budhi Ganga rivers small hydropower project. The client of the project is DoED. The contract amount is NPR 26.32 million rupees inclusive of VAT. BPC's primary responsibility is for

the Madi Khola Small Hydropower Project, which is contracted at NPR 8.71 million. The project has been completed and de-registration of JV is in process.

Retained earnings of this JV stood at NPR. 823,519.

iii. Provision of Loss/Income in Investment

Provision of loss was made in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements. This year, the accumulated loss in Khudi Hydropower Limited is reduced by NPR. 7,432,532 and accumulated loss in JIDCO is increased by NPR

1,072,102. This has resulted an increase in income NPR. 6,360,430 in profit and loss account.

The financial statements of the BPC's subsidiaries and JV's are attached as annexes 1 and 2.

e) Cash in Hand and at Bank / Bank Overdraft

Cash in hand and in the bank includes a foreign currency balance of US\$ 170,057. The overdraft/ bank loan facility from banks has been obtained against the security of Jhimruk generation revenue and assets.

f) Deferred Revenue Expenditure

The details relating to deferred revenue expenditure are given below.

(in NPR)

Particulars	Amount	Remarks
Last year's balance	5,644,867	
Addition for the year		
Jhimruk River training	4,155,221	Shall be written off within 3 years
Mobile Communication	190,000	
Total	9,990,088	
Less amortization		
Jhimruk River training	1,956,877	1/3 Amortisation (2nd year)
Jhimruk River training	1,731,114	1/3 Amortisation (3rd year)
Jhimruk River training	1,385,074	1/3 Amortisation (1st year)
Mobile Communication Expenses	21,529	1/3 Amortisation
Total amortization for the year	5,094,594	
Balance to be amortized	4,895,495	

g) Sale/Purchase of Electricity: Andhikhola Power Plant

(in NPR)

Particulars	kWh	Amount
Total electricity generation	36,897,000	
Total sales	36,340,287	
Sale to NEA	23,007,524	91,569,947
Sale to local consumers	13,332,763	56,935,478
Internal consumption	135,981	
Transit loss	3,839,531	
Purchase from NEA	(3,418,800)	(13,606,824)

h) Sale/Purchase of Electricity: Jhimruk Power Plant*(in NPR)*

Particulars	kWh	Amount
Total electricity generation	66,697,625	
Total sales	60,572,046	
Sale to NEA	57,532,719	317,005,282
Sale to local consumers	3,039,327	18,276,750
Internal consumption	244,352	
Transit loss	2,306,527	
Purchase from NEA	(583,680)	(3,216,077)

i) Administrative Expenses

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

j) Dividend Income

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

Name of Company	US Dollar	Equivalent NPR.
Himal Power Limited	2,326,151	164,265,280
Total		164,265,280

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

k) Provision for Corporate Tax

As per Electricity Act 2049, income tax on the sale of electricity generated by Jhimruk power plant was exempted upto end of Shrawan 2066. Income tax on the sale of electricity generated by Andhikhola power plant was exempted until 18 Jestha, 2063. Hence, tax provision has been made on income from Jhimruk Power Plant, Andhikhola Power Plant and from other sources. The dividend received from HPL is net of tax. Hence, no tax provision is made for this income.

Particulars	Taxable income	Tax provision
Jhimruk Center	143,874,090	25,897,336
Andhikhola Center	25,790,824	4,642,348
Other Sources	31,004,767	7,751,192
Total	200,669,681	38,290,876

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

l) Transactions with Related Parties

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

(in NPR)

Name of transaction party	Amount	Items/Services procured
Mercantile Communications (P) Ltd	1,028,884	Proprietary VSAT service,

m) Transaction with Subsidiaries

Following transactions were carried out with the subsidiary companies:

(in NPR)

Transaction with	Purchase	Sale	Advance	Receivable
Nepal Hydro & Electric Ltd.	15,747,077	77,029		(166,597)
Khudi Hydropower Limited		13,018	2,350,000	10,599,903
BPC Services Limited	202,046			5,678,070
Nyadi Hydropower Limited		3,621,917	77,162,106	4,120,410
Keton Hydropower Limited				2,354,197
Hydro-consult Private Limited	22,876,812	1,632,273		(49,108)
Kabeli Energy Limited		86,207,536	51,533,632	104,725,544
Total	38,825,935	91,551,773	131,045,738	127,262,419

n) Provision for Housing Facilities

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

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

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

Particulars	Contributions (in NPR.)			Total
	NMFA	BPC	Community Contribution	
Fund received during the year	-			
Interest earned	1,275,498			
Total NMFA Grant for the year	1,275,498			
Funds used (expenditure)				
REEP	31,403,603	12,492,963	3,350,832	47,247,398
JDMP	12,418,071	3,547,564	1,603,060	17,568,695
Fund used for the year	43,821,674	16,040,527	4,953,892	64,816,093
Fund surplus for the year	(42,546,176)			
Fund balance b/f	56,166,482			
Total NMFA Fund balance	13,620,306			

BPC will retain ownership of the extended distribution system (REEP), but ownership of the infrastructure project (JDMP) will be transferred to the local community after the project is completed (as per clause 3.1 of the REEP final inception report and clause 5.1 of the JDMP final inception report approved by NMFA on 10 September, 2007). The total costs under REEP of NPR. 43,808,424 (including BPC's contribution of NPR. 12,467,877) is capitalized; the NMFA portion of JDMP, NPR. 12,418,071 has been adjusted from advance received from NMFA and the BPC portion of JDMP, NPR. 3,547,564 has been written off as a part of mitigation expenses. Community contribution is shown both as income and expenses in line with the grant provision.

p) Contingent Tax Liability

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

Period	Additional Tax Liability NPR	Status of Legal Case
FY 2059/60 2059.4.1 to 2059.10.14	237,891,365	LTPO is in process of revisiting tax assessment as per the decision of IRD
2059.10.15 to 2060.3.32	9,446	Case filed to Revenue Tribunal
FY 2060/61	17,749,128	Case filed to Revenue Tribunal
Total	255,649,939	

The tax assessment for fiscal year 2064/65 is underway.

q) Deferred Tax

Consideration of Prudence for Recognition of Deferred Tax Assets

The tax effect of timing differences that results in a debit balance or a debit to the deferred tax balance should not be carried forward unless there is reasonable expectation of realization or there is absolute certainty that future taxable profits will arise.

"The deferred tax assets resulting from temporary differences and from tax loss carry forwards are to be given recognition only if realization is deemed to be probable." (Interpretation and Application of IAS by Barry J. Epstein & A A Mirza).

The following items have given rise to deferred tax as per the financial statement

a. Deferred Asset:		
Accumulated Provision for Loss:		NPR. 38,761,541
b. Deferred Liabilities:		
Deferred Revenue Expenditure		NPR. 4,895,495
c. Net Deferred Assets	(a-b)	NPR.33,866,046
d. Deferred Tax Asset effect @18%		NPR. 6,095,888

Loss provision arises from the investment in subsidiary companies and JVs. There is no absolute certainty in recouping the accumulated loss of the respective companies in the near future, hence no accounting effect for deferred tax has given in the current year's annual accounts.

r) 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. 852 million for 65% shareholding.

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. 563 million for 57.22% shareholding.

iii. 42-MW Marsyangdi-III Hydropower Project

Marsyangdi III HEP is being developed by the Project Company named Keton Hydropower Limited in southern part of Lamjung district. BPC owns 90% of stake in Project Company and the remaining 10% by private party.

The license of the project is in the process of renewal.

iv. 140-MW Lower Manang Marsyangdi Hydropower Project

BPC has got survey license of 140 MW capacity Lower Manang Marsyangdi Project. The project is located in Tache bagar and Dharapani VDC of Manang VDC of Manang District. Detail feasibility study is being carried out and the project is in the stage of detail design. NPR. 50.05 million has been spent by the company as on reporting date.

v. Kirne Hydro-Electric Project

BPC is one of the partner to develop jointly an approximately 50 MW hydro-electric project as Kirne Project. SN Power has obtained a survey license in November 2008 to carry out the activities in connection with the development of the project. BPC will have 16.88% shareholding in this project as agreed among the partners. BPC has committed to contribute to an expense USD 1,530,932 upto the development stage of the project. BPC already invested NPR. 39.22 million and recorded man-hour cost USD 47,300 as on reporting date.

vi. 9.4 MW Andhikhola Upgrading Project

The existing 5.1 MW Andhikhola hydropower plant, located in Syangja district, is in the process of upgrading 9.4 MW. Generation license for the construction of upgrading had been received. PPA has been signed with NEA. The financial closure with the local bank has been completed after the balance sheet date. Loan agreement with IFC for USD 6.5 million was signed on May 2010. Generation license of the project has been obtained. BPC has made expense of NPR. 108.74 million as on reporting date.

s) Legal Case

A notice to defend the law suit with the subject 'invalidation of deed' filed by the plaintiff against previous owner where the BPC was made one of the defendant. A defense statement has been submitted to the court by BPC.

t) Tenure of the License of Existing Power Plants

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

u) Risk Management

The Company is primarily subject to the following risks.

Financial risk

Financial risk is the additional risk when a company uses debt in addition to equity financing. It is the risk that company will not have adequate cash flow to meet financial obligations.

Credit Risk: BPC has provided credit facilities to its subsidiaries and associates. 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.

Interest Rate Risk: BPC has borrowed substantial amount as 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.

Foreign Currency Risk: BPC has made arrangement to minimize foreign currency risk associated with foreign currency protecting the amount by way of borrowing in the currency of revenue.

Liquidity Risk: In order to control liquidity risk and for better working capital management, BPC has made arrangement for 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.

Investment Risk

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

**v) Event after the Balance Sheet Date
Proposed Dividend**

The board of directors has proposed to declare 25% dividend on paid up capital from the net profit of the fiscal year 2067/68. The total amount of dividend NPR 253,817,350 shall be payable after the approval of 19th 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).

w) Figures of the previous year and rounding off

The figures of FY 2066/67 have been regrouped and reclassified wherever necessary to make comparison with the figures of FY 2067/68. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Audited Balance Sheet of Subsidiaries & JVs

As on 32 Ashadh 2068 (16 July 2011)

ANNEX-1 Relating to the Accounting Note # 3 (d)

Particulars	Khudi	Nyadi	Keton	Kabeli	NHE	BPCSL	BPC-HES-WRC-JV	Hydro Consult
Sources of Fund								
Shareholder's Fund								
Share Capital	165,650,000	75,000,000	16,000,000	15,000,000	139,530,000	10,000,000		10,000,000
Reserve & Surplus	(59,037,014)	-	-	-	66,614,402	1,274,578	823,519	9,493,370
Total Shareholder's Fund	106,612,986	75,000,000	16,000,000	15,000,000	206,144,402	11,274,578	823,519	19,493,370
Other Funds								
Mid Term & Long Term Debt	249,031,103	-	-	-	-	-	-	-
Advance Toward Share	-	-	-	15,288,856	-	-	-	1,422,656
Total Other Funds	249,031,103	-	-	15,288,856	-	-	-	1,422,656
TOTAL	355,644,089	75,000,000	16,000,000	30,288,856	206,144,402	11,274,578	823,519	20,916,026
Application of Fund								
Fixed Assets								
Gross Block	580,294,752	6,866,282	77,970	9,142,453	253,863,476	249,051	-	16,094,528
Less: Depreciation	111,537,876	1,354,533	-	234,223	130,816,463	119,316	-	4,874,178
Net Fixed Assets	468,756,877	5,511,749	77,970	8,908,230	123,047,014	129,735	-	11,220,351
Capital/Project Work in Progress	49,268	147,360,412	-	175,128,268	43,011,679	-	-	-
Investment in Shares	840,000	-	-	-	-	-	-	-
Current Assets								
Cash in Hand and at Bank	575,828	1,607,182	197,881	2,206,420	10,640,883	304,047	415,623	9,302,881
Current Work in Progress	-	-	-	-	-	-	-	2,388,165
Loan/Advances & Deposits	18,143,045	9,774,439	-	9,011,768	38,275,383	1,349,159	-	2,188,181
Debtors & Accounts Receivable	-	8,608,295	-	-	181,922,366	19,487,124	758,555	16,780,009
Inventories	-	-	-	-	118,073,758	-	-	-
Total Current Assets	18,718,873	19,989,916	197,881	11,218,188	348,912,390	21,140,330	1,174,178	30,659,237
Less: Current Liabilities								
Creditors & Other Payables	148,457,052	22,766,376	2,828,428	164,965,831	205,564,541	9,862,447	350,659	7,601,918
Short Term Loan	-	-	-	-	76,262,491	-	-	-
Advance & Deposit received	-	75,095,700	-	-	-	-	-	9,236,856
Provisions	-	-	-	-	33,473,886	133,040	-	4,124,788
Total Current Liabilities	148,457,052	97,862,076	2,828,428	164,965,831	315,300,918	9,995,487	350,659	20,963,561
Net Current Assets	(129,738,179)	(77,872,160)	(2,630,547)	(153,747,643)	33,611,472	11,144,843	823,519	9,695,675
Pre-Operating/Preliminary Expenses	8,829,079	-	18,552,576	-	-	-	-	-
Deferred Tax Assets	6,907,045	-	-	-	6,474,236	-	-	-
TOTAL	355,644,089	75,000,000	16,000,000	30,288,856	206,144,402	11,274,578	823,519	20,916,026

Audited Profit & Loss Account of Subsidiaries & JVs

For the year ended 32 Ashadh 2068 (16 July 2011)

Particulars	Khudi	NHE	BPCSL	BPC-HES-WRC-JV	Hydro Consult
Operating Income					
Sale Revenue/ Consultancy Service	91,151,560	482,685,974	714,049	-	56,256,868
Total Operating Income	91,151,560	482,685,974	714,049	-	56,256,868
Operating Expenses					
Power Plant Expenses/ Expenses/ Cost of Sale	10,568,974	401,571,455	-	17,187	30,155,265
Total Operating Expenses	10,568,974	401,571,455	-	17,187	30,155,265
Gross Profit/ (Loss)	80,582,586	81,114,519	714,049	(17,187)	26,101,603
Other Income	5,334	-	-	-	-
Administrative Expenses	11,968,554	45,729,322	1,571,900	-	10,214,505
Income/ (Loss) from Operation (EBITDA)	68,619,366	35,385,197	(857,851)	(17,187)	15,887,098
Other Expenses					
Depreciation/Amortization	31,601,000	10,052,036	48,248	-	3,183,821
Interest Expenses	41,458,692	15,443,745	-	-	-
Loss on Sale of Fixed Assets	-	29,952	-	-	-
Total Other Expenses	73,059,692	25,525,733	48,248	-	3,183,821
Income from Other Sources					
Interest Income	-	-	1,324,224	-	130,342
Foreign Currency Exchange (Loss)/Gain	(79,418)	3,885,837	-	-	-
Non operating income	-	10,610,365	-	-	130,000
Total Income From Other Sources	(79,418)	14,496,202	1,324,224	-	260,342
Profit (Loss) Before Bonus & Tax	(4,519,745)	24,355,666	418,125	(17,187)	12,963,619
Deferred Tax Expenses/(Income)	(860,149)	(1,402,121)	-	-	-
Provision for Employee's Bonus	-	2,103,444	38,011	-	1,178,511
Provision for Corporate Tax	-	5,563,056	95,029	-	2,946,277
Provision for Housing	-	1,217,783	-	-	-
Net Profit (Loss) Before Appropriation	(3,659,596)	16,873,504	285,085	(17,187)	8,838,831
Profit & Loss Appropriation Account:					
Appropriation :					
Last Years Balance	(55,945,471)	49,740,898	989,493	840,706	654,539
Profit/ (Loss) for the year	(3,659,596)	16,873,504	285,085	(17,187)	8,838,831
Balance Transferred to Balance Sheet	(59,605,067)	66,614,402	1,274,578	823,519	9,493,370

Consolidated
Financial Statements

2011

Consolidated Balance Sheet

As on 32 Ashadh 2068 (16 July 2011)

Particulars	2067/68	2066/67
Sources of Fund		
Shareholder's Fund		
Share Capital	1,015,269,400	922,967,500
Preference Shares	24,050,000	24,050,000
Reserve & Surplus	543,005,835	382,298,955
General Reserve	148,700,000	148,700,000
Funds	-	4,048,854
Revaluation Reserve	719,737,000	-
Grant Aid in Reserve	211,365,791	177,251,905
Non-controlling Interests	124,861,192	117,541,295
Total Shareholder's Fund	2,786,989,218	1,776,858,508
Other Funds		
Mid Term & Long Term Debt	367,142,518	338,977,487
Total Other Funds	367,142,518	338,977,487
TOTAL	3,154,131,736	2,115,835,996
Application of Fund		
Fixed Assets		
Gross Block	3,097,852,859	2,249,470,420
Less: Depreciation	(958,665,302)	(866,120,895)
Net Fixed Assets	2,139,187,557	1,383,349,525
Capital Project Work in Progress	481,207,963	133,531,490
Investment in Shares	633,331,980	515,582,429
Major Repair (Flood)	-	17,255,804
Current Assets		
Cash in Hand and at Bank	69,737,346	259,076,445
Advances & Deposits	235,632,282	340,505,190
Debtors & Accounts Receivable	283,675,777	227,467,519
Inventories	201,486,524	165,787,919
Project in Progress	2,388,165	110,460,539
Total Current Assets	792,920,094	1,103,297,611
Less: Current Liabilities		
Creditors & Other Payables	452,927,756	674,225,216
Short-term Loan	239,194,130	240,645,798
Advance & Deposit Received	101,190,074	62,671,693
Provisions	144,862,334	112,061,476
Total Current Liabilities	938,174,294	1,089,604,183
Net Current Assets	(145,254,200)	13,693,428
Pre-Operating Cost	27,381,659	35,659,442
Deferred Revenue Expenditure	18,276,778	16,763,877
TOTAL	3,154,131,736	2,115,835,996



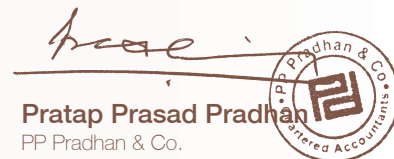
Ratna Shakya
Chief Finance Manager



Radheshyam Shrestha
Vice President, Finance



Ranjan Lohar
Chief Executive Officer



Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountant



Consolidated Profit & Loss Account

For the year ended 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	2067/68	2066/67
Operating Income		
Sale Revenue/ Consultancy Service	1,074,323,732	768,813,186
Total Operating Income	1,074,323,732	768,813,186
Operating Expenses		
Power Plant Expenses/ Expenses/ Cost of Sale	673,869,275	371,690,686
Total Operating Expenses	673,869,275	371,690,686
Gross Profit/ (Loss)	400,454,457	397,122,500
Administrative Expenses	102,438,801	139,094,946
Depreciation	107,084,429	100,834,926
Provision of Loss in Investment	(6,360,430)	7,483,027
Interest Expenses	82,142,850	61,350,048
Total Administrative and Other Expenses	285,305,650	308,762,947
Income from Other Sources		
Interest Income	17,284,892	7,580,566
Other Income	1,791,274	21,460,457
Depreciation Being Revenue Portion of Grant Aid	9,407,824	7,547,367
Grant Support for Technology Transfer	-	2,077,247
Dividend Income	164,265,280	137,802,992
Foreign Currency Exchange (Loss)/Gain	(477,007)	(7,780,660)
Non operating income	10,740,365	12,405,598
Gain(Loss) on Sale of Assets & Scrap Materials	2,265,064	(231,152)
Total Income from Other Sources	205,277,692	180,862,415
Profit (Loss) Before Bonus & Tax	320,426,499	269,221,967
Share of profit from Associates	1,035,231	673,819
Profit (Loss) from JV	-	(8,956,439)
Deferred Tax Expenses / (Income)	2,262,270	(400,292)
Provision for Employee's Bonus	(13,301,810)	(5,874,650)
Provision for Housing	(1,217,783)	-
Provision for Corporate Tax	(47,405,920)	(25,631,462)
Net Profit (Loss) Before Appropriation	261,798,487	229,032,944
Non-controlling Interests	8,748,546	1,082,188
Profit for the Year	253,049,941	227,950,755



Ratna Shakya
Chief Finance Manager



Radheshyam Shrestha
Vice President, Finance



Ranjan Lohar
Chief Executive Officer



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CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 32 Ashadh 2068 (16 July 2011)

(in NPR)

Particulars	2067/68	2066/67
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	261,798,487	229,032,944
Adjustment for:		
Ordinary Depreciation	107,084,429	100,834,925
Deferred Expenses Charged to P/L A/C	11,694,050	64,232,087
Provision for Employee Bonus	13,301,810	5,874,650
Provision for Expenses	51,005,160	21,253,982
Provision for Dividend		(185,593,500)
Associate Profit	128,017	(47,132)
Foreign Currency Exchange (Gain)/Loss	477,007	7,780,660
Interest Expenses	82,142,850	61,350,048
Dividend Received	(164,265,280)	(137,802,992)
Interest Received	(17,284,892)	(7,580,566)
Operating Profit before Working Capital Changes	346,081,638	159,335,106
Decrease/(Increase) in Debtors & Accounts Receivable	(56,208,258)	(2,904,991)
Decrease/(Increase) in Stocks	(35,698,605)	(20,647,636)
Decrease/(Increase) in Advance & Deposit Paid	104,872,908	(39,520,799)
Increase/(Decrease) in Creditors & Accounts Payable	(221,297,460)	77,522,582
Increase/(Decrease) in Advance & Deposit Received	38,518,381	26,471,890
Other Short Term Debt	28,165,031	(74,990,836)
Work in Progress	108,072,374	(49,722,452)
Short Term Loan	(1,451,668)	18,692,976
Pre- operating Cost	8,277,783	(24,944,387)
Cash Generated from Operations	319,332,123	69,291,454
Interest Paid	(82,142,850)	(61,350,048)
Foreign Currency Exchange Gain/(Loss)	(477,007)	(7,780,660)
Bonus Paid	(5,874,650)	9,979,843
Tax Paid	(25,631,462)	(13,049,049)
Prior Year Adjustment	(737,231)	(400,786)
Net Cash Flows from Operating Activities (A)	204,468,923	(3,309,246)
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(143,457,407)	(131,983,007)
Equipment installation	-	36,934,727
Investment in Share	(116,909,551)	(44,257,674)
Capital work-in-Progress/Decrease/(Increase) in Work-in-Progress	(347,676,473)	(89,248,537)
Interest Received	17,284,892	7,580,566
Dividend Received	164,265,280	137,802,992
Net Cash Flows from Investing Activities (B)	(426,493,259)	(83,170,932)
Cash Flows from Financing Activities:		
Grant Aid Reserve	34,113,885	43,517,946
Non Controlling Interest	(1,428,648)	5,447,119
Dividend Paid		(1,636,250)
Net Cash Flows from Financing Activities (C)	32,685,237	47,328,816
Net Changes in Cash & Cash Equivalents (A+B+C)	(189,339,099)	(39,151,362)
Opening Cash and Cash Equivalents	259,076,445	298,227,807
Closing Cash and Cash Equivalents	69,737,346	259,076,445



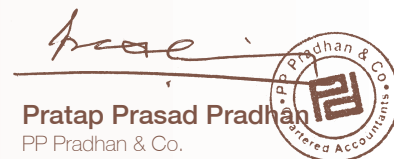
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PP Pradhan & Co.
Chartered Accountant



Statement of Changes in Equity

For the year ended 32 Ashadh 2068 (16 July 2011)

Particulars	Share Capital	Revaluation Reserve	General Reserve	Non-Controlling Interests	Reserve & Surplus	Total
Balance as on 1 Shrawan 2067	922,967,500	-	148,700,000	117,541,295	382,298,955	1,571,507,750
Additional For This Year		719,737,000		8,748,546	261,798,487	990,284,033
10% Stock Dividend	92,301,900				(92,296,750)	5,150
Withdrawn by Minority				(1,428,648)	-	(1,428,648)
Increase in Reserve					840,000	840,000
Prior Year's Adjustment					(886,311)	(886,311)
Transfer to Non-Controlling Interests					(8,748,546)	(8,748,546)
Balance As on 32 Ashad 2068	1,015,269,400	719,737,000	148,700,000	124,861,192	543,005,835	2,551,573,427



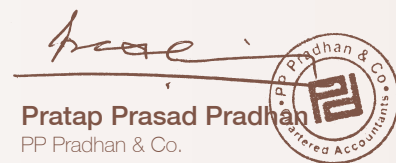
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Notes to the Consolidated Financial Statement

Fiscal Year 2067/68

1. General information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Nepal Accounting Standard (NAS). They have been prepared under the historical cost convention. .

2.2 Consolidation

(a) Subsidiaries

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

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

The Group has followed purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-controlling Interests.

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.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

(a) Functional and reporting currency

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

(b) Transactions and balances

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

2.4 Property, plant and equipment

Property and power plant comprises mainly land, access road to powerhouses 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 hedging cost of foreign currency purchases of property, plant and equipment.

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

2.5 Offsetting current assets and liabilities

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

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturity of three months or less, and bank overdrafts.

2.7 Share capital

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

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders. When such shares

are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

2.8 Borrowings

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

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

2.9 Revenue recognition

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

(a) Rendering of services

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

(b) Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments, including financial instruments measured at fair value through income, are recognised within 'investment income' and 'finance costs' in the income statement using the effective interest rate method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(c) Dividend income

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

2.10 Dividend distribution

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

List of Abbreviations

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

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Corporate Office:

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

Jhimruk Hydroelectric Center

Darimchour, Pyuthan
Tel: 994860105
Fax: 994860104

Andhi Khola Hydroelectric Center

Galyang, Syangja
Tel: 977-63-460152
Fax: 977-63-460152

Liason Office

Campus Road, Butwal
Tel: 977-71-540509
Fax: 977-71-541058

www.bpc.com.np