



bpcc
BUTWAL POWER
COMPANY LIMITED

annual **report** | **2010**

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our vision

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

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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 to our employees and
- To maximize value for all stakeholders.

LED- Future of Lighting



PROJECT DEVELOPMENT AGREEMENT FOR KABELI-A SIGNED

CONSTRUCTING GREEN BUILDING FOR ITS CORPORATE OFFICE

UPGRADING ANDHIKHOLA PROJECT

PPA SIGNED WITH NEA FOR ANDHIKHOLA UPGRADING

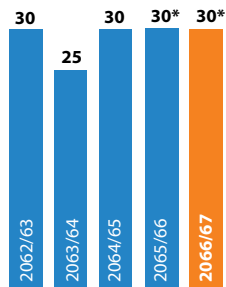
RESTRUCTURED ENGINEERING BUSINESS AS A SEPARATE COMPANY

DEVELOPING 140 MW LOWER MANANG MARSYANGDI PROJECT

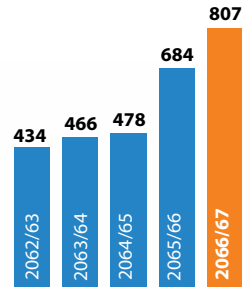
NATIONAL BPA AWARD 5TH TIME IN A ROW FROM ICAN

DEVELOPING KABELI, NYADI PROJECTS THROUGH SPV

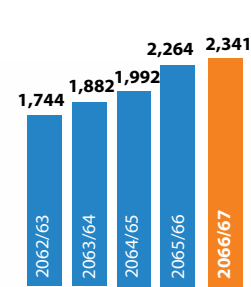
highlights 2010



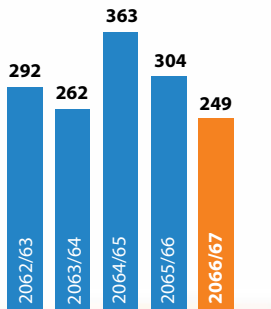
Dividend Per Share (NRs)
* includes 10% stock dividend



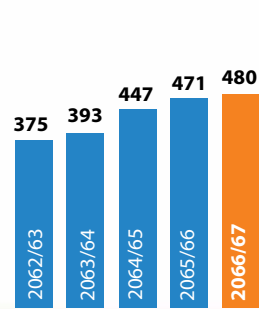
Investments (in NRs mill)



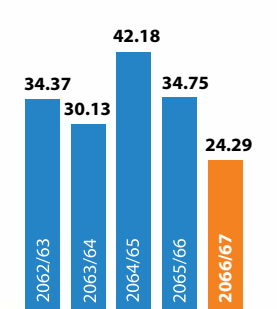
Total Assets (in NRs mill)



Profit Before Tax (in NRs mill)

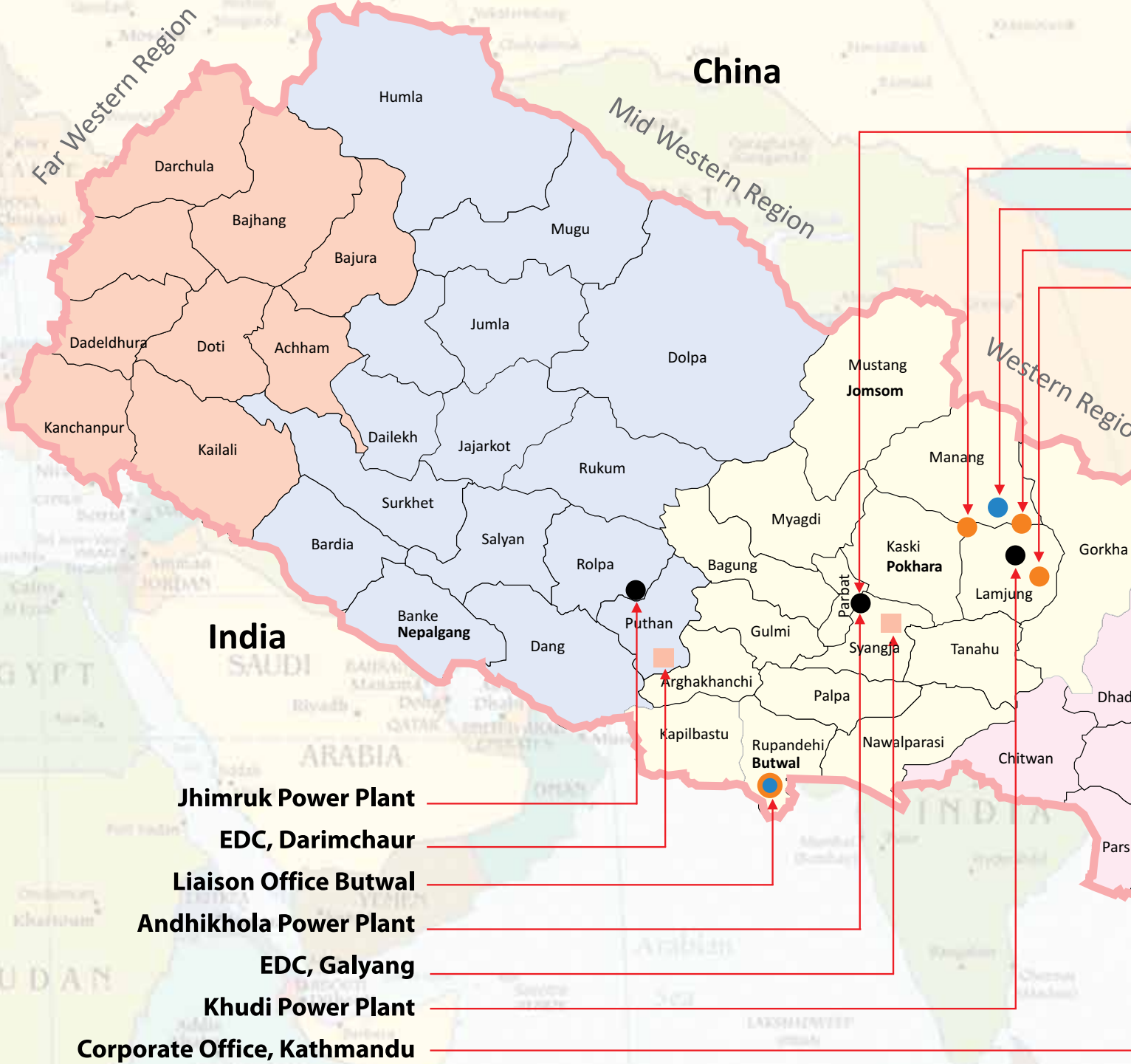


Revenue (in NRs mill)



Earning Per Share (in NRs mill)





- Existing Plant
- Under Development
- Under Licensing
- Distribution Area
- Office

Andhikhola Upgradation Project

Lower Manang Marsyangdi Project

Dudh/Dona Project

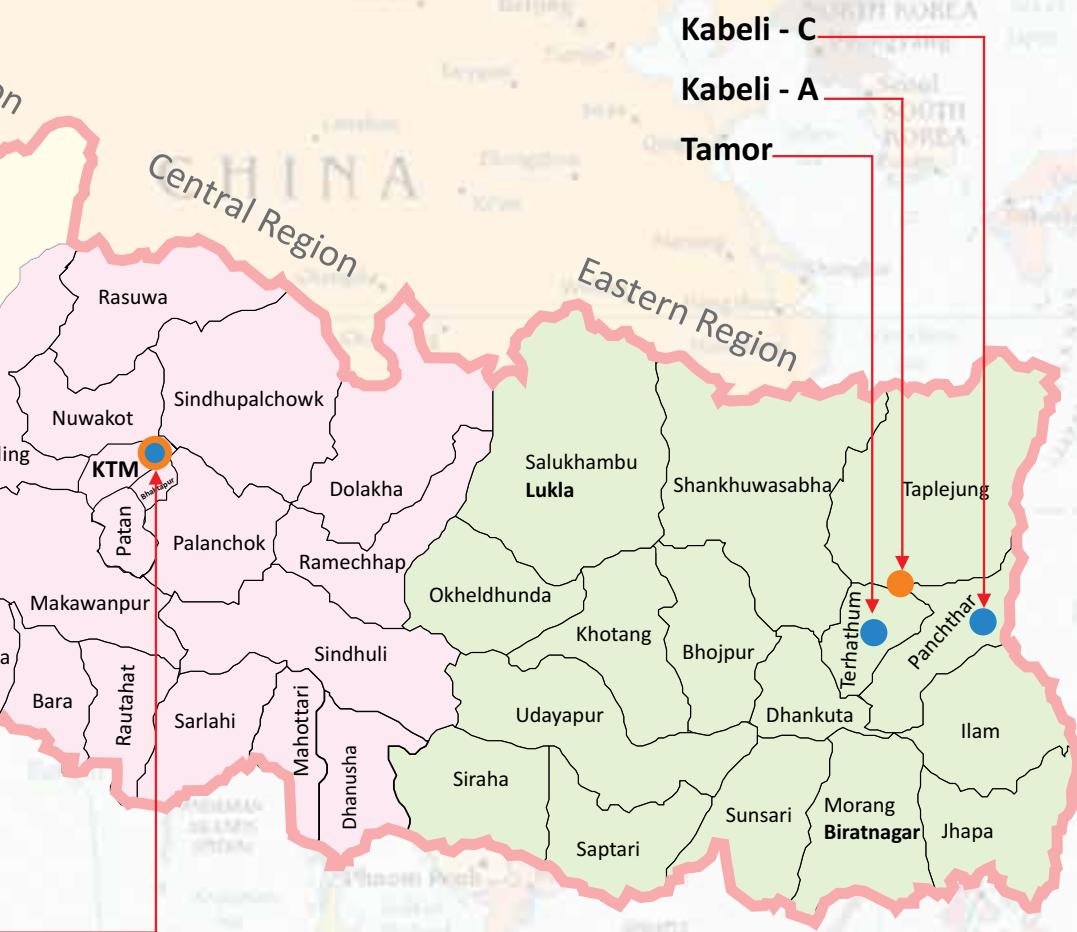
Nyadi Project

Marsyangdi III Project

Kabeli - C

Kabeli - A

Tamor



our presence

corporate profile

BPC was incorporated in 1955/56 as an electric utility for generation and distribution of electricity for Butwal city located in the western region of Nepal. It owns and operates 21 MW generation capacity and provides electricity directly to 36000 retail customers primarily in the rural areas in mid western and western Nepal in addition to bulk sale to the state utility.

BPC on its own and through subsidiaries is currently developing four hydropower projects with manned aggregate capacity of 210 MW, and several other projects under licensing stage.

It provides engineering and consulting services through its

subsidiary Hydro Consult and has repair and manufacturing facility for hydromechanical components of hydropower projects under its subsidiary Nepal Hydro & Electric.

BPC own shares in Himal Power which owns and operates 60 MW Khimti Hydropower Plant.

corporate information

Name: Butwal Power Company Limited

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

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

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

Date privatised: 29 January 2003 (2059/10/15 BS)

Registered / Corporate office: Gangadevi Marga - 313, Buddha Nagar, Kathmandu, Nepal

PAN /VAT No: 500047963

Bankers: Himalayan Bank Ltd., Nepal Investment Bank Ltd., Sunrise Bank Ltd., Bank of Asia Nepal Ltd.

Statutory auditor: PP Pradhan & Co. Lalitpur, Nepal

Internal auditor: JB Rajbhandari & DiBins, Kathmandu, Nepal

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





Nyadi Hydropower Project Intake Area

chairman's message

Dear Shareholders,

It gives me great pleasure to share with you the achievements and of our company's performance in the previous fiscal year and in the last few months of the current year.

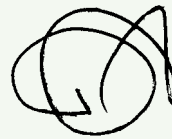
In terms of operations and financials, there has been improvement, though the net standalone results indicate decline because of higher royalty payments and taxes applicable to Jhimruk Power Plant on completion of fifteen years of successful operation. The Company recorded turnover of Rs. 479.80 million without the engineering business, which contributed Rs. 28.1 million in the previous fiscal year. The engineering business has been separated with effect from 1st of Shrawan 2066 and is running efficiently recording turnover of Rs. 24.1 million and net profit after bonus and tax of Rs. 0.94 million.

The company has made significant progress in development of the projects. The Andhikhola Upgrading Project has moved to construction after obtaining license and execution of PPA. On upgrading Andhikhola Power Plant will contribute approximately 22 GWh of additional energy to the INPS. Nyadi and Kabeli projects are in advance stage and all set to go under construction in 2011 which will take the aggregate generation capacity to 82 MW on their commissioning.

I would like to bring your notice that the 93MW Lower Manang Marshyangdi Project is being

optimized to approximately 150 MW and the detail project report will be ready by the end of 2011. The company is gearing up to take up the project on its own, without any equity partners, which I believe will give immense pleasure to the shareholders.

Parallel construction of several projects is sure to bring excitement for the company and shareholders, it will also bring in enormous responsibilities and challenges for the management for efficient execution and successful completion of the projects in the current political environment. I am sure that management team is geared up for taking up the challenges and once again demonstrates excellence.



Padma Jyoti
Chairman



“Parallel construction of several projects is sure to bring excitement for the company and shareholders, it will also bring in enormous responsibilities and challenges for the management for efficient execution and successful completion of the projects in the current political environment.”
— **Padma Jyoti**, Chairman

Dear Shareholders,

Your Board has pleasure in presenting the annual report and the audited statements of accounts of the company for the year ended July 16, 2010.

Financial Performance

The turnover of the company has increased to Rs. 479.8 million from Rs. 470.6 million of previous year, registering a marginal growth of 1.94% despite separation of the engineering business, which is being carried out through a subsidiary company.

The profit before bonus and tax amounted to Rs. 254.9 million as compared to Rs. 313.5 million of previous year registering a decline of 18.7%. The net profit after bonus and tax declined to Rs. 224.2 million from Rs. 291.6 million, a reduction of 23.1% from the previous year. The reduction in profit is attributable to the increased tax liabilities and royalty payments from income of Jhimruk Power Plant which has gone into its 16th year of operation.

Business Operations

GENERATION BUSINESS

Jhimruk and Andhikhola Power Plants operated efficiently and generated altogether 101.9 GWh, which is an increase by 0.7% than last year's

generation. Low discharge in Jhimruk River had its effect on generation from Jhimruk Power Plant. Jhimruk Power Plant could generate 63.23 GWh with a plant load factor of 59.98%, a decrease by 2.04% than last year's generated energy of 64.5 GWh.

Andhikhola Power Plant could generate 38.68 GWh energy with plant load factor of 86.34%, an increase by 5.48% than previous year's generated energy of 36.67 GWh.

17.55 GWh energy was supplied to distribution business for distribution to the consumers within the distribution network of the Company and 81.44 GWh energy was sold to NEA. The generation business had to supply 10.4% more energy to meet the requirement of consumers connected to the distribution network as compared to the previous year. This resulted in reduced sale to NEA by 1.9% from the previous year.

Repair and maintenance works of the power plants were carried out as per the preventive and predictive maintenance plans. Online

THE FINANCIAL RESULTS OF THE COMPANY ARE BRIEFLY SUMMARIZED BELOW.

(The figures are in NRs. '000 unless specified otherwise)

PARTICULARS	F/Y 2066/67	F/Y 2065/66
Income from the sale of electricity in bulk	387,896	375,103
Income from the retail sale of electricity and services	74,671	63,737
Income from engineering and consultancy services	-	28,108
Income from Management and Technical Support Services	17,241	3,740
Total operating income	479,809	470,688
Total operating expenses	206,721	156,148
Gross operating profit	273,088	314,540
Other income	151,280	160,611
Administrative and other expenses	169,471	161,653
Net profit before appropriation	224,233	291,592
Earnings per share in NRs.	24.29	34.75
Net worth in million NRs.	1,630	1,546

Sediment Monitoring System and Debris Removal Mechanism have been installed at Jhimruk Hydropower Plant. The transformation capacity at Jhimruk Power Plant has been upgraded to 6/8 MVA from 3 MVA. The profitability of generation business remained at 84%.

DISTRIBUTION BUSINESS

The distribution business spread over four districts, Syangja, Palpa, Pyuthan and Arghakhanchi, continued to expand its distribution network and consumer base under the Rural Electrification Expansion Project. During the year, 3014 consumers were added and 1186 consumers were converted from cutout category to the metered category. The total consumers count at the end of F/Y 2066/67 stand at 34428, which covers approximately 2% of the total households electrified through Integrated Nepal Power System (INPS).

The company sold 14.68 GWh, energy to its retail consumers with an increase of 9.96% against the sale of last year's 13.35 GWh. Aggregate Technical and Commercial (AT&C) loss was contained at 10.6%. The average per unit distribution cost has been increased from Rs. 6.46 to Rs. 6.55. The reliability of the distribution system was maintained at 96%. The low consumer tariff rate, increase in staff cost and scattered consumer base in rural area resulted in revenue deficit and loss from distribution business.

Operating Subsidiaries and Associates

Himal Power Limited (HPL), an associate company, which owns and operates the 60-MW Khimti I Hydropower Plant, registered a net profit of NRs. 1.348 billion in the F/Y 2066/67. BPC received Rs. 137.8 million as dividend during F/Y 2066/67 from HPL. The net worth of HPL as on July 16, 2010 is NRs 6,691 million and that for BPC's investment value in HPL stands at NRs 1,129 million.

Nepal Hydro & Electric Ltd. (NHE), the hydro-mechanical and electro-mechanical equipment manufacturing company, recorded a turnover of NRs. 225.3 million and registered a net profit of NRs. 0.53 million, in the F/Y 2066/67. The net worth of NHE as on July 16, 2010 is NRs 197.1 million and

that for BPC's investment value in NHE stands at NRs 102.85 million.

Hydro Consult Pvt. Ltd. (HCPL), was taken over by BPC by acquiring majority ownership through transfer of assets of BPC Hydroconsult, the engineering wing of BPC, in 2009, aiming at operation of independent engineering company with service excellence. HCPL recorded turnover of Rs. 24 million with net profit of Rs. 944,307 in the F/Y 2066/67. The net worth of HCPL as on July 16, 2010 is NRs 10.65 million and that for BPC's investment value in HCPL stands at NRs 8.52 million.

BPC Services Ltd. (BPCSL) aims at providing operation and maintenance service to the power plants and technical and other services to the companies or institutions in allied area of hydropower development. BPCSL provided operation and maintenance service to Khudi Hydropower Plant. It also provided technical service to Jhimruk Downstream Mitigation Program. BPCSL recorded a turnover of NRs. 9.1 million and a net profit of NRs. 1.32 million in the F/Y 2066/67. The net worth of BPCSL as on July 16, 2010 is NRs 10.99 million and that for BPC's investment value in BPCSL stands at NRs 10.99 million.

Khudi Hydropower Ltd. (KHL), which owns and operates the 4 MW Khudi Hydropower Plant, recorded electricity sales of NRs. 79.65 million in the F/Y 2066/67, reporting a loss of NRs. 19.29 million, which is less than NRs 37.66 million loss of F/Y 2065/66. The plant was in continuous operation and is generating satisfactorily based on the water flow in the river and there had been no major shutdowns as was in previous years. The net worth of KHL as on July 16, 2010 is NRs 88.82 million and that for BPC's investment value in KHL stands at NRs 53.29 million.

Hydro Lab Pvt. Ltd. (HLPL) provided specialized research and consulting services in hydraulics and sediment analysis to various projects, including model study of headworks and allied areas. HLPL's turnover was NRs 15.3 million in the F/Y 2066/67 and it recorded a net profit of NRs. 2.77 million. The net worth of HLPL as on July 16, 2010 is NRs 35.51 million and that for BPC's investment value in HLPL stands at NRs 7.1 million.



FROM LEFT TO RIGHT: Pradeep Kumar Shrestha, Anup Kumar Upadhyay, Ratna Sansar Shrestha, Ganesh Lal Shrestha,



Bijaya Krishna Shrestha, Padma Jyoti, Nirmal Pradhan, Bijaya Bahadur Shrestha and Rajib Rajbhandari

Jhimruk Industrial Development Center Pvt. Ltd. (JIDCO), a corporate social responsibility initiative of BPC, continued to provide trainings in various skill and enterprise development. JIDCO's turnover was NRs. 2.69 million in the F/Y 2066/67 and it reported a loss of NRs.0.77 million. The net worth of JIDCO as on July 16, 2010 is NRs 12.24 million and that for BPC's investment value in JIDCO stands at NRs 2.94 million.

Status of Projects/Joint Venture Companies

Nyadi Hydropower Limited (NHL), a special purpose company established to develop the Nyadi Hydropower Project (NHP) has performed satisfactorily in the F/Y 2066/67. The capacity of the project has been optimized at 30 MW. The feasibility study for the optimized capacity has been completed and detail design of the project is under progress. Further, IEE has been updated in line with the upgraded capacity. Land acquisition of the project and access road excluding the land to be taken from the Government on lease has been completed. The construction of access road and bridge over the Marshyangdi River has started. BPC has invested NRs. 72.915 million in NHL as equity investment. The power purchase agreement (PPA) with Nepal Electricity Authority (NEA) is under finalization. It is targeted to complete the financial closure and start construction of the project by the end of 2011.

Keton Hydropower Ltd. (Keton), a special purpose company established to develop the Marsyangdi-III Hydropower Project, has completed the feasibility study and submitted the feasibility study report to DoED. The approval for scoping of initial environmental examination (IEE) has been obtained from the Ministry of Energy. BPC has invested NRs. 14.4 million in Keton as equity investment. The IEE of the project will be conducted and the process for signing PPA with NEA and for obtaining Generation License will be initiated in the F/Y 2067/68.

Kabeli Energy Limited (KEL), a project company has been established for development of Kabeli-A Hydroelectric Project (KHP) on finance, build, own, operate and transfer basis. The survey license was obtained from the Ministry of Energy in March, 2010 for carrying out the update on feasibility study of the KHP and the update works have been completed. The feasibility study report has indicated that KHP can be optimized at 37.6 MW.

The TOR for IEE has been approved by the Ministry of Energy and IEE is under progress as per the approved TOR. Further, the TOR for environmental and social impact assessment (ESIA) study has been approved by the World Bank and the ESIA study is progressing satisfactorily. KEL has planned to avail 40% of the project cost as debt financing from World Bank through the Power Development Fund. BPC has invested NRs. 8.1 million in KEL as an equity investment as on July 16, 2010. In the year 2011, KEL has plans to obtain approval on study reports from Ministry of Energy and World Bank, sign PPA with NEA and conclude the financial closure.

The construction license of 9.4 MW Andhikhola Upgrading Project (AUP) has been received from the Ministry of Energy in November, 2010. Recently the PPA has been signed with NEA. The project is being financed by International Finance Corporation (IFC) and a consortium of local banks led by Rastriya Banijya Bank. The contracts for civil works, hydro-mechanical works and electro-mechanical works have been finalized. The construction work of AUP is expected to start by January, 2011 and complete by March, 2012.

BPC received a production survey license for the 93 MW Lower Manang Marshyangdi Hydropower Project (LMMHP), which is located at the southern part of Manang District. The prefeasibility study of the LMMHP has been completed and the project looks promising. The feasibility study is ongoing and is expected to be completed by 2011.

Dividend

The Board is aware of the investment requirements for the projects under development and also for the further 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 a cash dividend of 20% and bonus shares of 10% of the paid up capital from the profit of the company.

Right 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, as the construction plan of the projects has shifted due to current political and investment situation of the country, issue of right shares is not an urgent need. The remaining process for issuance of right shares will be as per the investment requirement.

Board of Directors and Committees

There were changes in representation in the Board during the year. The 17th Annual General Meeting of the Company held on January 8, 2010 elected Mr. Nirmal Pradhan as Director to represent public shareholders for four years. Shangri-La Energy Limited has nominated Mr. Ganesh Lal Shrestha as Director on the Board of this Company with effect from September 22, 2010 in place of Mr. Gyanendra Lal Pradhan. We would like to welcome the new Directors and extend our thanks to Mr. Pradhan for his contribution to the Company during his tenure.

The Audit Committee played an important role in strengthening the internal controls and good corporate governance. The Budget Committee assisted the Board by reviewing, monitoring and controlling the budget of the Company.

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, 270 male and 24 female, at the end of the F/Y 2066/67. The Company faced significant turnover of the employees because of entry of many international hydropower developers in the country and deteriorating environment for development of new projects.

The management expenses in F/Y 2066/67 totaled NRs. 83.25 million which is 18.29% higher than the last

F/Y. The increase is an account of business expansion, listing of stock dividend and raise in salaries necessitated by inflation in the country. 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 though 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.

BPC has adopted an Integrated Quality and Environmental Policy. The business units have carried out the business activities in an environmental friendly manner. BPC celebrated the World Environment Day, 2010 in association with the locals for bringing 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 of the employee for the professional growth of the employees as well as to meet 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.

The major risks associated with the Company's business activities are reported to the Board by the Management, which are analyzed and strategies to manage those risks are worked out. The Company has taken due care of the risks and addressed in time.

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 2066/67. 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 2066/67.

Hydropower and Nepal's Growth Prospect

In the world energy consumption record, hydroelectricity has contributed only 2.3% in 2010. Only six countries in the world viz. Brazil, Canada, Norway, Paraguay, Switzerland and Venezuela meet majority of the energy need from hydroelectric power. Looking into the utilization

of hydro potentiality, Norway is on the top and other countries are focusing on harnessing hydro potentiality for reducing the percentage of consumption of energy from other sources.

Nepal is located between two fast growing big economies, China and India. China is the largest hydroelectric power generator in the world, which generated 652.05 TWh energy from around 200,000 MW installed capacity in 2009. In the same year, India ranking as the seventh largest hydroelectric power generator in the world generated 115.6 TWh energy from around 34,000 MW installed capacity. China and India has utilized 22.25% and 15.80% hydroelectric potential respectively. However, there is energy deficit in India and is growing further.

Nepal started hydroelectric generation in 1911 AD but till date has been able to harness only about 2% of the techno-commercial hydroelectric potential. The country is facing energy crisis and the electrified consumers face load shedding to the extent of 16 hours per day during winter season. Accelerated development of hydropower is required not only to meet the energy deficit but to fuel the economic growth of the country. The utilization of hydropower potential complemented by the energy deficit in the neighboring countries can propel the economic growth manifold.

Business Environment and Investment Climate

The Government of Nepal has set a target for developing 25,000 MW generating capacity and to achieve electrification of the entire country by 2020. During last couple of years, some improvements have seen in the hydropower sector in Nepal. The Electricity Bill and the Electricity Regulatory Commission Bill has been tabled in the Legislative Parliament; the Ministry of Energy issued internal guideline for license management process; and NEA, the GoN's undertaking, fixed the tariff rates for the purchase of energy from the hydropower projects up to 25 MW installed capacity. Twenty seven PPAs have been signed with various companies for 136.22 MW in the F/Y 2009/10. However, majority of them are stuck with financial closure.

The political transition, inadequate legal instruments, long bureaucratic processes, low tariff rates, poor interconnection facilities for power evacuation, unreasonable demands from local people, politicized labour force and crisis in financial market are the key bottlenecks in development of the hydropower sector in Nepal.

Initiatives are being taken jointly by 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

In the F/Y 2067/68, the priorities are to develop the projects-in-hand and to expand the business of subsidiary companies.

Andhikhola Upgrading Project will be under full swing construction. Preconstruction works of Kabeli-A Hydroelectric Project (37MW) and Nyadi Hydropower Project (30 MW) will be expedited

for start of construction of these projects by 2011. The feasibility study and EIA study of the Lower Manang Marsyangdi Hydropower Project (93 MW) will be completed in 2011. Addition of 3900 new consumers to its distribution network under the Rural Electrification Expansion Program (REEP) has been planned. Further, efforts will be made to add new hydropower projects in BPC basket.

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 F/Y 2066/67.

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
January 7, 2011

ceos' perspective

2009-10 has been a mixed experience for us with several transition events and unsettled national governance. Both our generation assets are out of tax holiday period, and are subject to increased taxation and royalty payments. We restructured our engineering business and is now being run as independent engineering and consulting company.

Yet, BPC has been able maintain its revenue from operations and earned 479.81 million. Our consolidated networth grew by 4.3%. Historically, we seek to be transparent and pioneer, starting this year we have started preparation of consolidated financial statements. The consolidated networth at fair market value stands at 3.58 billion.

Last year we expected to take couple of projects under construction, however, the project construction had to be deferred as the projected rate of return at the ongoing lending rates and tariff levels would not have delivered expected return to the shareholders. This has made our belief firmer that strategic plans needs continuous review and reset with regard to investment opportunities. However, the projects have advanced and looking forward, three projects with an aggregate capacity of more than 70 MW will be under construction by the end of 2011.

Generation business has been successful in securing arrangement for additional off-take of energy, maximizing the use of generation assets. We expect additional revenue of 6% from this in the coming years. The historical energy tariff, increasing cost of distribution and our goal to enhance customer service has its' impact on the earnings. We are not sure if the tariff levels will be reviewed and adjusted under the regulatory framework (which is under discussion at the parliament), but we expect that at least the cost of service model will be adopted to enhance the quality of service and competitiveness.

Our engineering business team has stabilized the engineering and consulting business. Several projects are under execution and team is focused on capacity building to capture major share of the domestic market. The clientele base includes private domestic hydropower developers, government agencies and a developer in Kenya.

All our operating subsidiaries performed better than the previous year. With changes in the Board of our subsidiaries and initiatives to improve corporate governance and strengthening of management team, we expect better performance in the coming years.

Traditionally BPC is not a seller of projects; on project development-our strategy is to adopt a flexible project to project approach on joint ventures and alliances with focus on balanced portfolio of projects which reflects our strategic direction on multiple projects and diversified investments.

To address the challenges in today's varying economic cycles and difficult investment climate, our focus is on optimization of the limited resources we have, capital, employees and assets. The priorities are on managing costs and protection of margins, retaining talent pool, managing cash flow and working capital, managing funds for capital investments, procurement, and efficient execution of projects.

Health Safety and Environment is critical to us. To reinforce this, this year we are implementing OHSAS. We keep safety, an important factor in selection of contractors in addition to their project management capabilities and quality delivery. The bottom line in project development is safety, cost competitiveness, minimal environmental impacts, and that the projects we build, deliver as expected.

Maximizing use of IT infrastructure is another important area for us. We prefer to use standard well proven software packages and keep the customization to a minimum to take advantage of the best industry practices and to have smooth transition of data from project to operation phase.

We have adopted a comprehensive corporate value framework to strengthen our governance system, ethical standards to build up on our

business principles and corporate vision. All of us are committed to internalize the value framework to drive the company to greater heights and success.

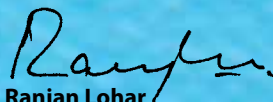
While Asia flared better than the rest of the world with 9.5% growth, Nepal economy suffered from the unstable regime and could barely reach the previous years' growth rate. The liquidity crisis with double digit inflation at around 11% had its toll on the infrastructure development. The power sector saw a meager addition of 8.49 MW capacity, around 1.2% of the installed capacity, while the demand, though restricted increased by 9%.

The power sector requires huge capital outlay, and it is not possible for the government to fund the growth of the sector alone. Thus it is essential that private sector participation be promoted if the demand supply gap in power sector has to be managed. The government has embarked aggressive vision to develop 25K MW in next 20 years. The private sector has key role to play in realization of the vision, as involvement of private sector not only reduces funding constraints but also has several other advantages like bringing competitiveness in the projects, efficient execution, lower cost of generation, optimization in capacity utilization, technological advancement.

This needs sector reforms to make the power sector and more specifically the generation vertical more attractive for the private sector. There is potential of earning additional revenue from carbon credits with increased focus on environment, global warming and linkage to the regional grid. A favorable investment climate will attract multilateral financing agencies to support hydropower development and reduction of carbon footprint.

If higher growth trajectory is to be achieved, the private sector must be encouraged to take major position in the generation business and the government takes a position to create an enabling environment and development of the transmission network.

BPC can make significant contribution to the power sector and national economy thereof. We are performance focused and believe in sustainable development. We are in the transition/take off phase with several projects to go under construction in parallel. While this brings in challenges, there is enormous opportunity for growth both for 'Team BPC' and all stakeholders. We, are positioned to deliver and create value for our investors.



Ranjan Lohar
Chief Executive Officer



management discussion & analysis

Economic Outlook

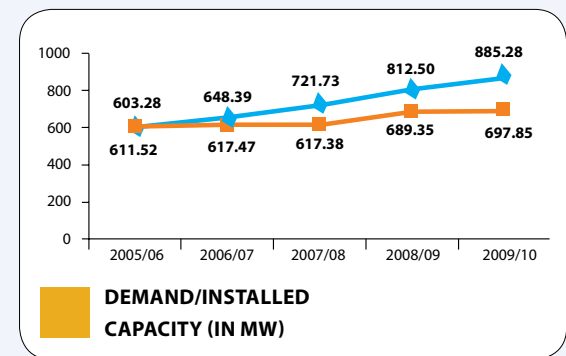
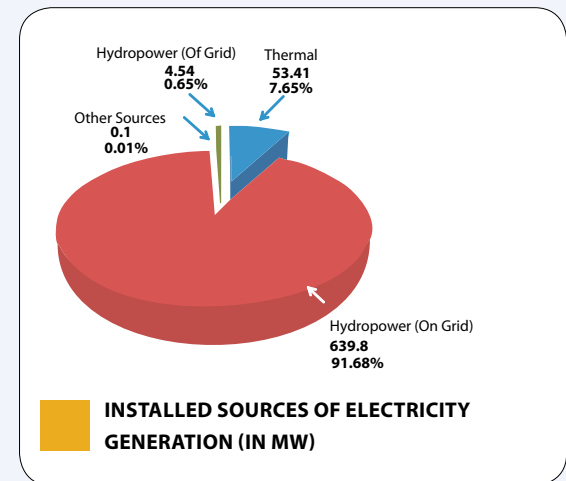
The world economy that had shrunk in the year 2008/09 expanded at an annual rate of about 5.5% in the fiscal year. This expansion rate is however higher at around 9% in the emerging Asian economy. But the world financial stability suffered major setback with increase in market volatility and drop in investor confidence. Prices in many stock exchanges have fell including that of Nepal. Volatility in currency as well as commodity market remains elevated. Euro depreciated by about 15% while the U.S. dollar and Yen had appreciated briefly before returning to the previous levels. Growth in commodity prices has moderated. Oil price remained broadly in the range of \$ 70-80 per barrel though the demand strengthened. The world economy has begun to emerge from the greatest recession since the World War II.

Robust economic activities in Asian giants like India and China have helped growth in Asia. The instability prevalent in the country has had its effect in the growth rate of Nepal. GDP growth rate of Nepal, however, declined by 0.4% point than that of 2008/09 and is estimated to be 3.5% while inflation remained high at 11.2% in 2009/10. High inflation and low economic growth rate has raised the necessity of political stability and greater reform initiatives on development. Though there is high potential for hydroelectricity generation, electricity, along with gas and water, has just 1.5% share in the overall GDP of the country.

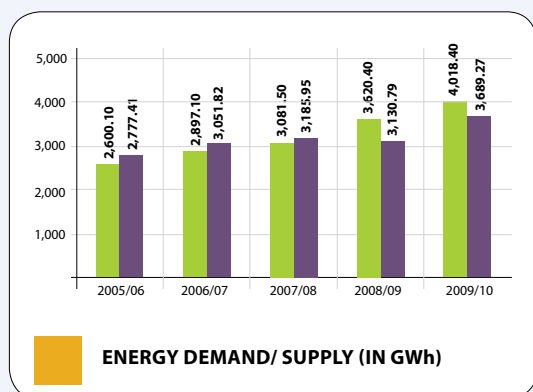
Business Environment

By the end of the fiscal year, the total installed generation capacity in Nepal reached 697 MW; hydropower contributing 644 MW. Just 8 MW of installed capacity has been added to the system during the year. With a peak demand reaching 885 MW in the year, there is a clear deficit of 187 MW. On an average, demand is increasing at a rate of 9%. With no significant projects getting added to the INPS, the demand supply gap is bound to widen in

the coming years. There are a few projects under construction in the country and only about 44 MW is likely to be connected to INPS by 2011. Realizing that hydropower can be the growth engine for economic development, hydropower has been prioritized over other alternatives. Water Resources Strategy 2002 had sought to develop hydropower to meet the domestic demand as well as export. Nepal Electricity Bill, Nepal Electricity Regulatory Bill 2064 tabled at the parliament for facilitating electricity production, transmission, distribution, trading, and etc. is yet to be enacted. To combat the heavy loadshedding, National Electricity Crisis Resolution Action Plan was brought in 2008, which contained immediate, short-term and long-term programs. These include facilities like income tax holiday for 7 years to provisions for



hydropower projects that will be commissioned by 2075 BS. There are other provisions also like building of additional cross border transmission lines for power import from India. The budget for the coming year has mentioned that construction of medium and large sized reservoir project will be initiated with public private partnership. Expansion of the national grid and expedition of the construction of cross border transmission lines have also been given importance. Implementations however have not been as per the policy and plan in the future, hence remain's a matter of concern. Financing is a major issue in the development of the projects. Liquidity crisis and the increase in interest rates combined with large investment required for hydropower have been hurdles in the project developments. Lack of stability in the government, slow implementation of the plans and policies together with the double digit inflation and poor financial condition of the sole bulk buyer of electricity pose threat to the development of the sector.



SUMMARY OF SEGEMENT WISE FINANCIAL RESULT

Figures in thousand NRs.

PARTICULARS	TOTAL	GENERATION	DISTRIBUTION	BUSINESS DEVELOPMENT	CORPORATE OFFICE
Income	479,809	387,896	74,672	-	17,241
Expenditure	206,721	137,842	55,762	1,045	12,072
Income from operation	273,088	250,054	18,910	(1,045)	5,169
Other income	151,280	1,344	7,045	(16)	142,908
Other expenses	169,472	40,670	24,473	4,632	99,697
Net Result before bonus and tax	254,897	210,728	1,481	(5,693)	48,381

Operations of Company

FINANCIAL CONDITION AND FINANCIAL PERFORMANCE

BPC made an operating income of NRs. 479.81 million in the fiscal year, marking an increase of 1.94% over the previous year. Revenue from Generation and Distribution rose by 3.4% and 17.6% respectively from that in the last year. Total operating expenses increased by 32.4% because of steep rise in taxes and royalty on income from Jhimruk Power Plant on completion of 15 years of operation. Administrative expenses increased by 18.29%, major reason being the double digit inflation in the country. Improved performance of Khudi Hydropower Plant in the year resulted in the decrement in provision for loss in investment by 65.71%.

Generation contributed 61.5% of the total revenue, Distribution contributed 11.8% and income from other sources contributed 26.7%. NRs 137.80 million was received as dividend in the fiscal year as compared to NRs 104.84 million in the previous year. The net profit however, declined from NRs. 291.59 million to NRs. 224.23 million on account of the increased tax and royalty liability and separation of the engineering business.

In addition to Generation and Distribution businesses, various hydropower projects have been taken up for development. By segment, the performance was as follows.

Out of the total taxable income of NRs. 126.03 million, BPC paid NRs.25.21 million as corporate tax. According to the Electricity Act of 2049, income tax on the sale of electricity generated by Jhimruk HP was exempted up to the end of Shrawan 2066. Beginning Bhadra 2066 income from Jhimruk HP is taxable for the rest of the life of generation license. BPC paid NRs. 5.15 million in income tax on electricity generated from Andhikhola hydropower plant and NRs. 20.05 million on income from Jhimruk hydropower plant. The total contribution of BPC to the Government revenue on account of taxes and royalties was NRs. 107.26 million.

Fixed assets, worth NRs. 87.92 million was added during the year, which includes power plant equipment and transmission and distribution lines worth NRs. 85.77 million. BPC invested additional NRs. 34.41 million in Nyadi Hydropower Ltd. during the year, NRs 8.1 million in Kabeli Energy Ltd. and NRs 8 million in Hydro Consult Pvt. Ltd. Total investments in share at the end of the FY 2066/67 amounted to NRs. 734.07 million, which is an increase of 7.39% from the previous year.

CONSOLIDATED FINANCIAL RESULTS:

BPC has strategic investments in its subsidiaries, joint venture and share investments in other companies. The consolidated financial statements has been prepared in line with the IFRS.

The consolidated turnover of the company was NRs. 768.81 million which is reduction by 2.5% in comparison to previous year. Similarly operating expense is NRs 376.57 million which is reduction by 3% in comparison to previous year resulting consolidated gross profit of NRs 392 million.

The profit before bonus and tax amounted to NRs. 239.6 million as compared to NRs. 259.9 million of previous year registering a decline of 7.83%.

The consolidated financial statement is attached with this annual report.

Net Worth

The operating asset of the company is revalued at fair market value as on balance sheet date. The difference between fair market value NRs.

1,375,205,000 and carrying value NRs. 740,823,000 a total unrealized surplus amount of NRs. 634,382,000 has been identified as revaluation surplus as on balance sheet date. Similarly, the fair market value of the investment in shares of BPC has been assessed as per the financial statements of the respective companies. The unrealized surplus on such investments amounts NRs. 1,192,365,072 as on balance sheet date. These surpluses are not recognized in the financial statement.

With this revaluation, the net worth of BPC as on balance sheet date is NRs. 3,456,549,238.

Market Capitalization

At the end of the FY 2066/67 BPC's share price stood at NRs. 1,090, and market capitalization at NRs. 10.06 billion, the highest among all the companies in the hydropower category at NEPSE and seventh of all companies listed.

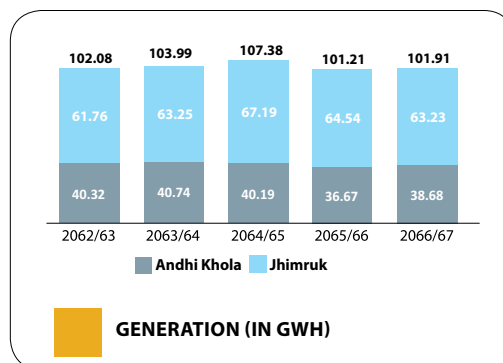
Market Capitalization	Million NRs.
All listed companies	376,871
All hydropower companies	19,960
BPC	10,060

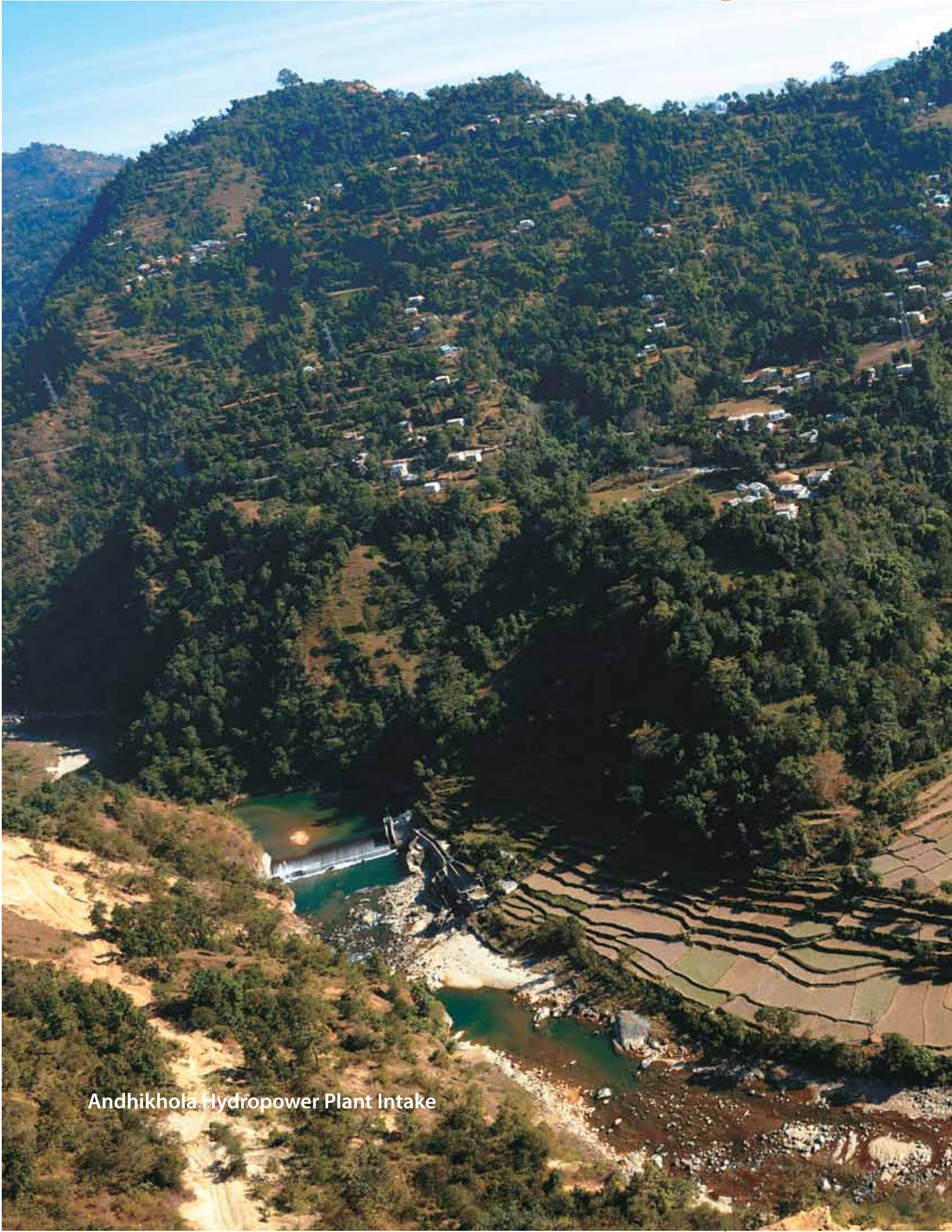
Generation Business

Generation Business, the major contributor in the revenue, generated 101.91 GWh of energy from 5.1 MW Andhikhola and 12 MW Jhimruk Power Plants.

ANDHIKHOLA HYDROPOWER PLANT

Generation from Andhikhola Power Plant was 38.68 GWh, 5.5% more than that of the previous fiscal year. Andhikhola sold 24.71 GWh of energy to NEA and 14.47 GWh to Distribution business vertical for supply of electricity to locals and





Andhikhola Hydropower Plant Intake

purchased 1.97 GWh from NEA. The revenue from sales of energy to NEA was NRs 92.92 million. The continuous rise in local distribution energy requirement prevented supplying of contract energy of 30 GWh from the Andhikhola plant.

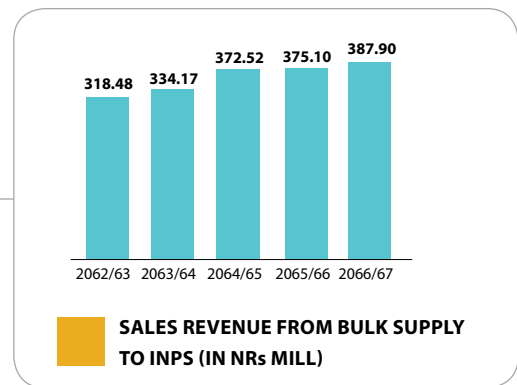
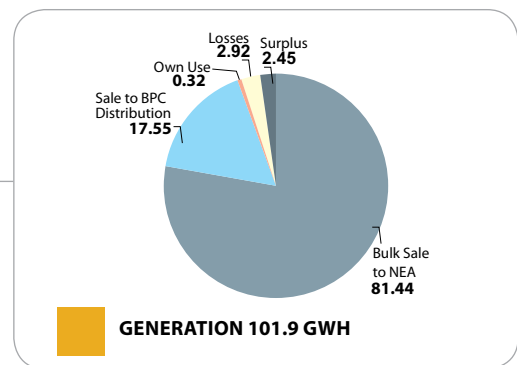
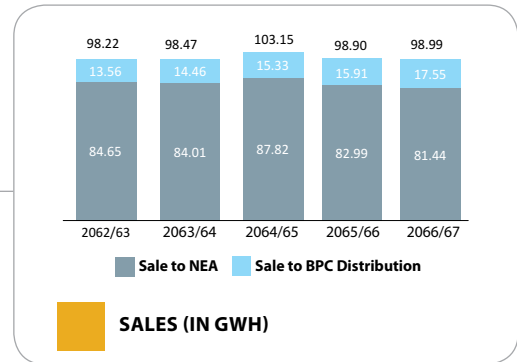
Deteriorated and aged equipment, feeble 33 kV grid connection and low discharge in the dry months restricted generation from the Andhikhola plant. Optimum generation was obtained despite the frequent breakdown of major equipment with plant availability of 94.29%. To increase the reliability and reduce the outages, preventive maintenance of the plant and power evacuation line were carried out as per the maintenance schedule including conditioning of turbine runners. The stator winding failed 4 times and were repaired by in house team in record time.

JHIMRUK HYDROPOWER PLANT

Generation from Jhimruk Power Plant was 63.23 GWh – a 2% decrease from the previous year. Jhimruk sold 56.72 GWh to NEA and 3.08GWh to Distribution. The revenue from sales of energy to NEA was NRs 294.97 million. There was a reduction in generation from the previous year by 1.31 GWh due to low discharge in the months of Chaitra and Baisakh and high sediment levels from Shrawan to Ashwin. Despite this 2.70 GWh of excess energy was sold to NEA.

High silt content in the monsoon season remained a major challenge in the operation of Jhimruk Power Plant this year also. Preventive maintenance and overhauling of all turbine parts- runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out to maximize availability. Online Sediment Monitoring System and Debris Removal Mechanism have been installed for efficient removal of debris. The 3 MVA transformer at Jhimruk was upgraded to 6/8 MVA. To optimize the use of water for irrigation and increase the generation, 14 irrigation canals were rehabilitated. River training works to protect the project area and farm lands were also done.

Agreement has been reached with NEA for additional offtake of 7.59 GWh energy annually for meeting the demand of Sandhikharka area which



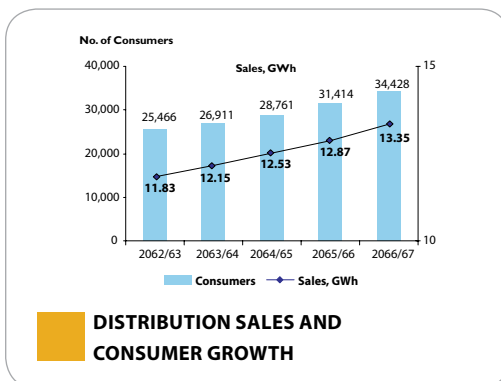
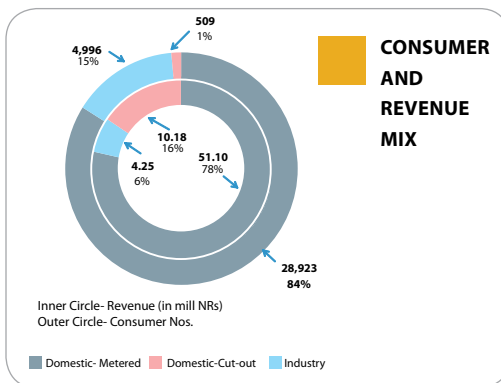
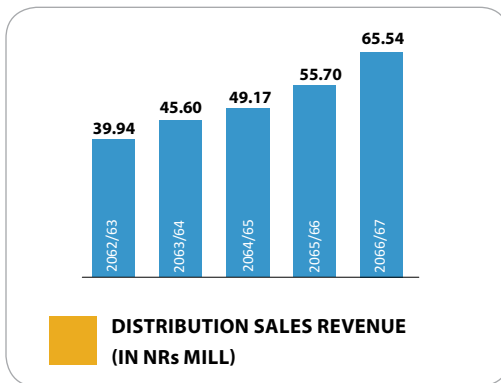
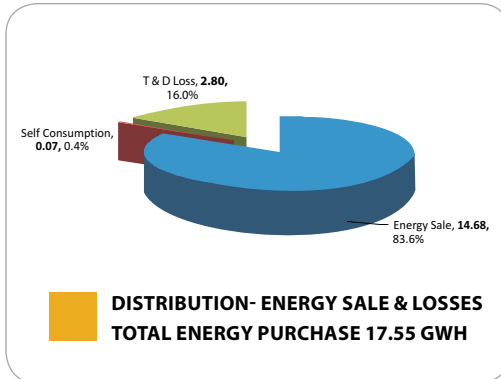
falls in the distribution area of NEA. The additional offtake will start from this year.

Distribution Business

Distribution Business purchased 17.55 GWh of energy and sold 14.68 GWh of energy to its retail consumers which marked an increment of 10% over the previous year both in terms of sales and purchase. The growth is appreciable due to



Distribution Sub-station at Mirdi



the fact that electrification was carried out with voluntary VDC funding on top of REEP budget.

Out of 14.68 GWh of energy sold, 76 % was sold to the domestic-metered consumers while 11% to the domestic-unmetered and the rest to the industrial consumers. Retail consumers count reached 34,428- an addition of 3,014 new consumers in the year corresponding to 9.6% increase. With the aim of reducing loss of Distribution Business, we have been converting cut-out consumers to metered consumers. 1,186 cut-out consumers were converted to metered consumers in the fiscal year. NRs 65.50 million revenue was collected marking an increase of 17.7% over the previous year. Distribution network expansion was carried out in existing VDCs and one new VDC (Bangesal, Pyuthan) was electrified this year. Seven new transformers were added to the system increasing the installed capacity from 6,725 kVA to 7,100 kVA. 16 km 33-kV network and 310 km ckt-km low voltage line was installed during the year.

Average Service Availability Index (ASAI) was maintained at 96%. T&D loss slightly increased from 15.7% of last year to 16% on account of network expansion and technical loss increase thereof. Loss minimization has been in the focus and firm efforts have been made to identify and reduce system loss. An extensive energy audit has been carried out and focus areas for loss minimization have been worked out. Electronic data loggers have also been installed in the system for continuous loss monitoring.

33/11 kV, 3 MVA Mirdi substation was commissioned in the year under REEP. Contract for the upgrading of Galyang-Syangja 33-kV line with wolf conductor has been awarded through competitive bidding. The work is progressing satisfactorily and is expected to complete by the end of Poush 2067.

Distribution Business is committed to deliver quality service. Feedback is collected from customers on a regular basis and grievances are appeased as per commitment. More users' organizations (UO) were formed this year. EDC Darimchaur added 5 UOs taking the count to 24. Similarly, one additional UO was established in EDC Galyang taking the count to 71.



Kabela-A Hydroelectric Project Area

One of the major environmental aspects of distribution is tree cutting during line construction and cutting and trimming of bushes and bamboos during line maintenance. For minimizing the impact of the said aspect, seedlings are being distributed to local communities for plantation. All wastes, that include damaged electromechanical parts, insulating materials and used oil, are disposed as per well established waste disposal plan under the Environment Management System.

Under the Rural Electrification Expansion Plan laying of 15 km 33 kV line, 190 km of low voltage line, conversion of 20 km 1.1 kV line to 11 kV and installation of three 33/11 kV transformers has been planned.

Business Development

BPC has a number of projects in its portfolio and is also considering other attractive projects. Development of Andhikhola Upgrading (9.4 MW), Kabeli- A (38 MW), Nyadi (30 MW), Lower Manang Marsyangdi (93 MW) and Marsyangdi III (42 MW) are being actively pursued.

ANDHIKHOLA HYDROPOWER PROJECT UPGRADING

Located in the Syangja district, Andhikhola is run-of-the-river type project and will be generating

71 GWh annually after upgradation. The project's gross head is 247 m. Generation License for the construction of Andhikhola Upgrading has been received. PPA has been signed with NEA. Financial closure with the local consortium of banks is in the final stage. The project is being partially financed by IFC. The project is ready for construction and will be completed within 15 months. The upgrading will include increasing of the dam height, construction of new intake and desilting basins, addition of a penstock pipe, replacing of electromechanical equipment and enlarging of tailrace section.

KABELI- A HYDROELECTRIC PROJECT

Kabeli-A Hydroelectric Project located in Panchthar and Taplejung will generate 190 GWh annually and has gross head of 117 m. It is a daily peaking run-of-the-river type project. The update of the feasibility study report has indicated a capacity increase from 30 to 38 MW. Kabali Energy Limited has been incorporated as a SPV for development of the project. The feasibility study has been completed. Approval for TOR for EIA has been obtained from World Bank and GoN's approval on TOR for IEE has also been received. Field investigation for IEE and ESIA is ongoing and it is planned to complete the IEE and ESIA reports by the end of 2010. The project is being partially funded by World Bank (40% of the project cost) through Power Development Fund (PDF). The power of the project will be evacuated through a transmission line being constructed under the funding of World Bank. Major geological investigations like ERT survey and Core drilling work have been completed. Hydraulic modeling of the headworks is being done. The construction of the project is scheduled to start in the third quarter of 2011 and start of commercial operation of the plant is expected by the end of 2014.

NYADI HYDROPOWER PROJECT

Installed capacity of Nyadi Hydropower Project, Lamjung has been upgraded from 20 to 30 MW. The run-of-the-river project has a gross head of 347.5m and a capacity to generate 180 GWh of energy annually. The power produced by the project will be evacuated through 132-kV transmission line and interconnected to INPS. Infrastructure development work for the project is underway. Hydraulic modeling of the project has been completed. This project will implement Pro-Poor Hydropower Project (PPHP) program for the first time in Nepal allowing local labors to buy share of the project through



sweat-equity model. The project is scheduled to go into construction next year and commissioned by the end of 2014.

LOWER MANANG MARSYANGDI HYDROPOWER PROJECT

93-MW run-of-the-river type Lower Manang Marsyangdi HEP (LMMHEP) is located in Southern part of Manang district. The project has a gross head of 330 m and will generate 560 GWh energy annually. The intake site will be located in Bagarchhap and powerhouse at Dharapani VDC of Manang district. DPR of the project, HEP is under preparation. Geological investigation and collection of hydrological and meteorological data, power evacuation study is ongoing. Project development activities are being carried out in close coordination with and cooperation of local people. It is targeted to start the construction work by the end of 2012 and start commercial operation by the end of 2016.

MARSYANGDI III HYDROPOWER PROJECT

Marsyangdi III Hydropower Project located in Lamjung utilizes the tail water of Middle Marsyangdi Hydropower Plant. The run-of-the-river type project with capacity 42 MW has a gross head of 62 m and capacity to generate 213 GWh of energy yearly. ToR for IEE of the project has been approved.

Risk Management

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. A Risk Management Committee comprising all VPs and SBU Heads under the chair of CEO monitors the risk mitigation plan implementation. The major risks associated with the Company's business activities are deliberated periodically and action plans are developed to manage them.

Operation Risks

GENERATION

Deteriorated electro-mechanical equipment and feeble 33-kV grid connection of Andhikhola pose a major challenge in the seamless operation of the plant. BPC has well trained maintenance team along with adequate spares to tackle the challenge



and ensure plant operation with minimum interruption. High silt content in rivers of Nepal is a major challenge to the operation of power plants. Jhimruk too faces the problem resulting in severe erosion of the turbine. BPC maintains a complete set of turbine parts and accessories to keep the overhauling time minimum.

DISTRIBUTION

Having to maintain a reliable service with an aging infrastructure is a challenge for Distribution business. It has to deal with the increasing need of maintenance and capital reinvestments. Distribution carries out maintenance and replacement of distribution system components wherever required. Scattered households in the rural areas and low tariff rates often turn electricity distribution into a loss making business; BPC has nevertheless continued to expand its network in pursuit of supporting the national goal for electrification.

HAZARD RISKS

There are hazards associated with the operation of power plants like noise, heat vibration, electrical shock, falling of objects etc. To tackle these hazards necessary trainings and safety gears like ear plugs, helmets, and safety boots are provided to the staffs. Repair and maintenance of the distribution lines have inherent hazards like falling down, getting electric shock, etc. To prevent injuries and ensure safety, safety belts, ropes, helmets etc. are provided to the staffs.





Lower Manang Marsyangdi Project Intake Area

BUSINESS DEVELOPMENT RISKS

Business development in the field of hydropower as well as other renewable energy sector has its own set of challenges. Typically long payback periods combined with huge initial investment requirement, long project implementation periods increase the uncertainties for the project. With worrisome financial condition of the sole bulk buyer of electricity in the country and low possibility of export of power with the existing infrastructure, offtake of the energy from the projects faces hurdle. With the tariff prevailing in the market, many a projects are rendered infeasible. Limited debt financing source is another hurdle in the development of the projects. Huge capital requirement together with single obligor limit and sector limit imposed on banks raises the necessity of multiple source of financing. Besides looking for debt financing within the country, BPC has been exploring international source of financing. It has been successful in securing debt financing from IFC for Andhikhola Upgrading Project.

PROJECT EXECUTION RISKS

Unforeseen geological and hydrological events during the development of hydropower pose a big threat in timely project execution and cost overruns control. Huge and unrealistic expectations of the locals from the project like construction of roads, hospitals, schools, etc. together with threats, stall the construction work, causes time delay as well as cost overruns. BPC always endeavors to maintain good and harmonious relationship with the local community. Fluctuation in the foreign currency exchange rate can lead to substantial cost overruns if the Nepali currency devaluates. Hedging the risk by having forward contracts for major equipment and services helps manage the foreign currency exchange risk, to a large extent.

Human Resources

BPC's total human resource strength in the year end was 294. With the formation of Hydroconsult Pvt. Ltd. (HCPL), 16 employees of BPC were reappointed from HCPL. The attrition rate was 11% in the year. Several trainings were conducted in 2009/10 as a part of human resource development in various areas like leadership and knowledge management, contract and procurement skills enhancement, using of software like ETAP and Primavera, internal audit, etc. Industrial Relations have improved and HR function has been reorganized to handle HR issues efficiently.



We follow performance linked remuneration system. Retaining experienced professional employees is a challenge and efforts are being put to reserve deserving employees.

Health, Safety and Environment

HSE comes first in our business operations. Health and safety procedures, hazards, health and safety risks are assessed and safety controls are in place. The Company is planning to be certified with 18001:2007 OHSAS. Occupational Health and Safety Hazards have been identified and remedial measures are implemented for the protection of employees from risks resulting from working conditions adverse to health. Hazard Registers have been maintained in all locations and health profiles of every employee has been maintained. Safety awareness trainings are being provided periodically to all staff. Emergency Preparedness Plan is in place and trainings have been provided for safety actions. No major accidents were reported in the year, however, minor injuries were reported - one while working at surge shaft and the other while carrying out repair and maintenance work. We give due consideration to the environment protection while performing our activities. We ensure proper disposal of waste like oil, metals, paper, etc. Provisions of fish ladders are there in our power plants to facilitate the migration of fishes. Necessary measures are taken to control the noise pollution. As cutting and trimming of the trees and bushes during line construction and maintenance is inevitable, seedlings are distributed for additional plantation to minimize the effects. We monitor the effect of our activities through Environmental Aspect Register.



Our Corporate Social Responsibility (CSR) policy encourages us to join hands with host communities in protection of environment and in social upliftment through shared responsibility.

Corporate Social Responsibility

We at BPC believe in sustainable development. Our business decisions and operations integrate economic, environmental and social considerations. We always endeavor to work with stakeholders to foster sustainable development and to promote effective use of natural resources.

We have adopted a Corporate Value Framework, which covers business principles, policies, code of corporate governance, code of conduct & ethics in addition to our core values, mission and vision. Our Corporate Social Responsibility (CSR) policy encourages us to join hands with host communities in protection of environment and in social upliftment through shared responsibility.

More than 800 households benefit from 309 hectares of land across the Andhikhola river; the land is irrigated through water from our Andhikhola headrace tunnel. Further, with the upgradation of the project, more than 250 hectares of additional land will be irrigated benefiting the locals in increasing their farm produce and social well being on sustained basis. In addition, the Andhikhola plant supported the locals in Simle village for drinking water pond construction and Amilakharka drinking water tank foundation and protection wall construction.





PUBLIC CONSULTATION IN KABELI PROJECT AREA



LOCALS PARTICIPATING AT PUBLIC CONSULTATION IN NYADI PROJECT AREA



Our Jhimruk plant supported the locals in repair and rehabilitation of several drinking water systems, repair of fourteen irrigation canals and sharing expertise for development of plans for community development.

BPC undertook pilot project on fish farming for sustainable poverty reduction in collaboration with SPRN, Norway in 2008 with an aim to develop high protein content food program on commercial basis with involvement of local women. The women group involved in the pilot project covering 333 m² of the pond area has been harvesting fish annually, about three times more than the average production. In 2010, the harvest was approximately 315 kgs, which fetched NRs 86,000 in the local market and provided high nutritional food to the local habitats, employment and empowerment to the local women.





Awareness programs are conducted on the World Environment Day for the local community with the year's theme "Many Species, One Planet, One Future". The local community, neighborhood schools and media participated in the awareness program. The inter-school art competition organized and sponsored by BPC on the day saw overwhelming response. Energy saving tips and need for demand side management were shared with the local community.

CSR and environment protection are key components in our business decision making. The corporate building under construction has been designed on the principles of high performance environment friendly "Green Building Design". The major components of the design are : use of on-site renewable energy like solar, geothermal and wind;



MANY SPECIES • ONE PLANET • ONE FUTURE
WORLD ENVIRONMENT DAY • 5 JUNE 2010

energy efficiency; efficient water use; rain harvesting; underground water charging; indoor environment quality and reuse of construction materials.



SENIOR EXECUTIVES: Radheshyam Shrestha, Prakash Kumar Shrestha, Bishnu Prasad Shrestha, Ranjan Lohar and Murali Prasad Sharma



Ratna Shakya, Pratik Pradhan, Ujjwal Sundas, Kabindra Sharma and Gopal Chandra Joshi

BPC is committed to upholding the highest standards of corporate governance in all its activities and business operations. BPC's business dealings are transparent and we place great emphasis on our core values and on maximizing returns on the investments of our shareholders. We believe that good governance practice is a key to sustainable development.

Shares and Shareholders' Relation

SHARE OWNERSHIP STRUCTURE

The share ownership structure is as illustrated 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 operations and progress of the company through letters, e-news, national daily newspapers and the company website.

BPC's 17th AGM of Shareholders was held on 8 January 2010 (24 Poush 2066) at 11:00 A.M. at head office premises in Kathmandu.

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

DIVIDEND DISTRIBUTION

After approval by AGM and consent of the Ministry of Finance as per the Section 182 (2) of the Companies Act, the dividends are distributed.

BPC distributes the dividends directly to the institutional shareholders. The distribution of dividends to the public shareholders is arranged through the Share Registrar.

The dividends declared in the last fiscal years have been distributed to the Shareholders. However, few public shareholders have not collected their dividend warrants. The public shareholders will be intimated appropriately to handover their dividend warrants.

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

Board of Directors and Board Committees

BOARD COMPOSITION

The Articles of Association of the company provisions eight members of Board and representation of Shareholders in the Board based on the shareholding structure. The existing members of the Board are given below.

FUNCTIONS OF THE BOARD

In line with the global standards on 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 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.

NAME	POSITION	ORGANIZATION	PERIOD
Mr. Padma Jyoti	Chairman	SEL	29 January 2003 - present
Mr. Pradeep Kumar Shrestha	Director	SEL	29 January 2003 - present
Mr. Ganesh Lal Shrestha	Director	SEL	22 September 2010 - present
Mr. Bijay Bahadur Shrestha	Director	SEL	3 May 2007 – present
Mr. Ratna Sansar Shrestha, FCA	Director	IKN	29, January 2003 – present
Mr. Anup Kumar Upadhyay	Director	GoN	17 May 2005 – present
Mr. Nirmal Pradhan	Director	General Public	8 January 2010 – present
Mr. Bijaya Krishna Shrestha	Alt. Director	SEL	3 May 2007 - present
Mr. Rajib Rajbhandari	Alt. Director	SEL	4 June 2008 – present

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. Bijay Bahadur Shrestha, represented SEL, as Alt. Director from 13 April, 2003, to 2 May, 2007.
- Mr. Santosh Kumar Pradhan, representing public shareholders, completed his tenure as Director on 8 January 2010.
- Mr. Gyanendra Lal Pradhan, represented SEL, as Director from 29 January 2003 to 22 September 2010.
- The position of Independent Director is vacant as no suitable candidate has been found yet.

The board has the following specific functions:

- To review, monitor and approve major financial and corporate strategies;
- To ensure that there is a framework for risk assessment and management;
- To provide counsel for the development of top management team;
- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To review, monitor and approve financial results and new business investments;
- To comply with legal requirements;
- To comply with the code of conduct and ethics and
- 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 well ahead of the meetings to ensure that the directors prepare themselves for the Board meetings and participate actively before arriving at resolutions.

Ten Board meetings were held in the F/Y 2066/67. The longest gap between any two meetings was 53 days and the least, 10 days. The attendance for the Board meetings was as follows:

Board Member	Meetings attended
Mr. Padma Jyoti	10
Mr. Pradeep Kumar Shrestha	8
Mr. Gyanendra Lal Pradhan	8
Mr. Bijay Bahadur Shrestha	10
Mr. Ratna Sansar Shrestha, FCA	10
Mr. Anup Kumar Upadhyay	8
Mr. Santosh Kumar Pradhan	4
Mr. Nirmal Pradhan	4
Mr. Bijaya Krishna Shrestha	7
Mr. Rajib Rajbhandari	10

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

FEES AND ALLOWANCES OF DIRECTORS

The structure of the meeting fee and allowance of the Directors are as follows:

Particular	Position	Amount in Rs.
Meeting Fee (For both the Board and Board Committee meetings)	Chairman Director	3000 per meeting
Transportation and Telephone Allowance	Chairman Director	5000 per month 3000 per month

The members of the Board and Board Committees have been paid Rs.549,000 as meeting fee and allowance in the F/Y 2066/67.

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 a good knowledge of finance, accounts and company law. CEO, Head-Finance, Head-Corporate attend the Audit Committee meetings. Manager-Legal acts as secretary of the Audit Committee.

As prescribed by the Section 165 of the Companies Act, 2063, the committee is responsible for the following duties:

1. To review financial statements and internal control and risk management systems;
2. To supervise and review internal auditing;
3. To prepare a policy 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. To recommend the name of an auditor, remuneration and other terms and conditions of appointment to the AGM for ratification;
5. To monitor and supervise the auditor and evaluate whether he has followed the code of conduct, standards and directives or not;
6. To review and approve the company's accounting policy and
7. To perform any other tasks on policy matters regarding accounting, financial statements or auditing as assigned by the board of directors.

There were altogether eight meetings held during the fiscal year. The attendance of the Committee members was as follows:

Name	Position	Meetings attended
Mr. Ratna Sansar Shrestha	Chairman	8
Mr. Pradeep Kumar Shrestha	Member	7
Mr. Bijay Bahadur Shrestha	Member	8

BUDGET COMMITTEE

The Budget Committee was set up on 20 March 2006 (7 Chaitra 2064). The committee consists of two directors of the Company. Mr. Padma Jyoti chairs the Budget Committee. Mr. Gyanendra Lal Pradhan was 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 responsibilities of the Budget Committee are:

1. To monitor and control the budget;
2. To scrutinize the budget proposed by the management and
3. To recommend to the board for approval of the budget.

The Committee members meet twice in a year. The attendance was as follows:

NAME	POSITION	MEETINGS ATTENDED
Mr. Padma Jyoti	Chairman	2
Mr. Gyanendra Lal Pradhan	Member	2

REMUNERATION COMMITTEE

Remuneration committee is constituted as and when required to review the compensation packages of the top management. There being no revision of compensation package of top management, the Board did not constitute the Remuneration Committee in F/Y 2066/67.

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 "Best-Presented Accounts Award" by ICAN for the fifth time in a row for excellent presentation of its financial statements and annual report. These accolades testify BPC's commitment to transparency.

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 within the due dates.

Risk Management

BPC has implemented the Enterprise Risk Management and has managed 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 major risks associated with the Company's business activities are being reported to the Board periodically.

The assets of the Company are adequately insured. The repair and maintenance of power plants and distribution lines have been done as per the maintenance schedule. Good relation has been maintained with the locals of project vicinity by jointing hands within development initiatives. Efforts are being put to retain trained and experienced human resources and stop turnover of the employees.

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 sustainable growth.

The company's internal audit functions are being carried out independently on quarterly basis for ensuring the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. It also appraises the systems processes and the risks associated with these. The internal audit reports are reviewed by the Audit Committee and are discussed with management for taking 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 of 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 2066/67 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.

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 SHAREHOLDING IN %	NAME	POSITION IN BOARD
BPC Services Ltd.	100%	Mr. Ranjan Lohar	Chairman
		Mr. Prakash Kumar Shrestha	Member
Himal Power Limited	16.88%	Mr. Ratna Shakya	Member
		Mr. Rajib Rajbhandari	Member
		Mr. Bijaya Krishna Shrestha	Alt. Member
Hydro Consult Pvt. Ltd.	80%	Mr. Ranjan Lohar	Chairman
		Mr. Pratik Man Singh Pradhan	Member
		Mr. Ratna Shakya	Member
Hydro Lab Pvt. Ltd.	20%	Mr. Manohar Shrestha	Member
Jhimruk Industrial Development Centre (P) Ltd.	24%	Mr. Ratna Shakya	Member
Jumdi Hydropower Pvt. Ltd.	19%	Mr. Prakash Kumar Shrestha	Member
		Mr. Manohar Shrestha	Member
Keton Hydro-Power Limited	90%	Mr. Ranjan Lohar	Chairman
		Mr. Ratna Shakya	Member
Khudi Hydro-Power Ltd.	60%	Mr. Bijaya Krishna Shrestha	Chairman
		Mr. Bijay Bahadur Shrestha	Member
		Mr. Ranjan Lohar	Member
Nepal Hydro & Electric Pvt. Ltd.	51.3%	Mr. Bijay Bahadur Shrestha	Chairman
		Mr. Ranjan Lohar	Member
Nyadi Hydro-Power Limited	97.2%	Mr. Pradeep Kumar Shrestha	Chairman
		Mr. Ganesh Lal Shrestha	Member
		Mr. Bijaya Krishna Shrestha	Member
Kabeli Energy Ltd.	54%	Mr. Pradeep Kumar Shrestha	Chairman
		Mr. Padma Jyoti	Member
		Mr. Rajib Rajbhandari	Member

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 are headed by the sr. executives/managers/project managers. The names and designations of sr. executives are as below.

S. NO.	NAME	DESIGNATION
1	Mr. Ranjan Lohar	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development
3	Mr. Radheshyam Shrestha	VP- Finance
4	Mr. Ratna Shakya	Head of Corporate Management and CFM
5	Mr. Prakash Kumar Shrestha	Head of Operations
6	Mr. Gopal Chandra Joshi	Chief Manager-Distribution
7	Mr. Bishnu Prasad Shrestha	Sr. Manager -Corporate Affairs
8	Mr. Ujjwal Sundas	Sr. Manager- Human Resources
9	Mr. Kabindra Sharma	Sr. Manager- Facility Management
10	Mr. Kali Prasad Choudhary	Project Manager-AKUP

Brief Resume of the Board Members and Disclosures



Padma Jyoti, 64

CHAIRMAN

Bachelor's in Mechanical Engineering from IIT, Kanpur, India. MBA 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 39 years.

Mr. Jyoti is involved in the institutions listed below.

- 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
- Mr. Jyoti does not hold any shares in BPC.



Pradeep Kumar Shrestha, 50

MEMBER

MBA from Tribhuvan University, Kathmandu, Nepal. Mr. Shrestha has been actively involved in management of several industries and commerce sector for more than 26 years.

Mr. Pradeep Kumar Shrestha is involved in the institutions listed below.

- Vice President-SAARC Chamber
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd.

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

Mr. Shrestha does not hold any shares in BPC.



Ganesh Lal Shrestha, 75

MEMBER

Bachelor's in Science from Tribhuvan University. Mr. Shrestha has more than 35 years of experience in construction management and has also been actively involved in banking and commerce sector.

Mr. Ganesh Lal Shrestha is involved in the industries listed below.

- Chairman, Shangri-la Energy Ltd.
- Director, Kabeli Energy Ltd.
- Director, Nyadi Hydropower Ltd.
- Chairman, Arniko Nirman Company Pvt. Ltd.
- Chairman, Interworld Trading Pvt. Ltd.

Mr. Shrestha does not hold any shares in BPC.



Bijay Bahadur Shrestha, 55

MEMBER

MBA from the Faculty of Management Studies, University of Delhi. Mr. Shrestha has 26 years of experience in the export sector and more than 11 years of experience in the capital market, banking, financial and insurance sectors.

Mr. Bijay Bahadur Shrestha is involved in the industries listed below.

- Director, Himalayan Bank Ltd
- Director, Shangri-La Energy Limited.
- Director, Soaltee Hotel Ltd.
- Director, United Insurance Ltd
- Central Executive Member, FNCCI
- Treasurer, Royal Nepal Golf Club

Mr. Shrestha holds 4070 shares in BPC.



Ratna Sansar Shrestha, FCA, 58

MEMBER

CPA from Massachusetts, USA. Master's of Commerce and Bachelor's 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.

Mr. Ratna Sansar Shrestha is involved in the institutions listed below.

- Member, Water Supply Tariff Fixation Commission

Mr. Shrestha holds 550 shares in the BPC.



Anup Kumar Upadhyay, 45

MEMBER

M.Sc. in Electrical Network and Systems from Georgian Technical University, Republic of Georgia. Mr. Upadhyay is the joint secretary of the Ministry of Energy and has more than 18 years of experience in the power sector of Nepal.

Mr. Anup Kumar Upadhyay is the joint secretary of the Ministry of Energy.

Mr. Upadhyay does not hold any share in BPC.



Nirmal Pradhan, 56

MEMBER

Holds bachelor's degree
Mr. Pradhan has been involved in film industry for 26 years, in stock investment for 12 years and in housing and real-estate for 15 years.

Mr. Nirmal Pradhan is involved in the industries listed below.

Director, Rajdhani Investment Fund Ltd.
Director, Social Development Bank Ltd.
Mr. Pradhan holds 10522 shares in BPC.



Bijaya Krishna Shrestha, 62

ALTERNATE MEMBER

Electrical engineer with an MBA from Southern Illinois University, USA
Mr. Shrestha has more than 31 years of experience in the banking, insurance, computer, energy and electronics sectors.

Mr. Bijaya Krishna Shrestha is involved in the industries listed below.

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

Mr. Shrestha holds 110 shares in BPC.



Rajib Rajbhandari, 53

ALTERNATE MEMBER

B. Com. (Honours) from Bombay University.
Mr. Rajbhandari has more than 21 years of experience in the industry and commerce sectors.

- Director, Malpi International School
- Director, Mercantile Investment Pvt. Ltd.
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- Director, Serving Minds Pvt. Ltd
- Director, Shangri-La Energy Limited

Mr. Rajbhandari holds 38104 shares in BPC.

Mr. Rajib Rajbhandari is involved in the industries listed below.

- Director, Ace Development Bank Limited
- Director, Himal Media Pvt. Ltd.
- Director, Hits Nepal Pvt. Ltd.

shareholders information



Communication with Stakeholders

The company is providing information to its stakeholders in a timely fashion using various means such as its website, press releases and publication of financial statements. It publishes quarterly financial statements and other significant information on its website, www.bpc.com.np and makes sure to keep it updated. The company publishes its quarterly financial statements in a national daily newspaper. The Company maintains regular contact with the media and disseminates relevant information.

Trading Information

The major highlights of BPC's share transactions during the FY 2066/67 are as follows:

High price, NRs	1,245
Low price, NRs	706
Closing price, NRs	1,090
Total market transaction days	225
Total BPC transaction days	86
Volume of shares transacted	130,460
Turnover NRs million	128.30

FISCAL YEAR	NEPSE INDEX	STOCK PRICE	NO. OF SHARES	MARKET CAPITALISATION (IN NRs. BILLION)
2062/63	386	540	8,390,577	4.53
2063/64	657	1,000	8,390,577	8.39
2064/65	963	1,559	8,390,577	13.08
2065/66	749	1,270	8,390,577	10.66
2066/67	477	1,090	9,229,675	10.06

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	% SHAREHOLDERS	% SHAREHOLDING
Up to 500	430	54,191	51.7%	0.6%
501-1000	250	154,246	30.0%	1.7%
1001-5000	81	162,675	9.7%	1.8%
Above 5000	71	8,858,563	8.5%	96.0%
Total	832	9,229,675	100%	100%

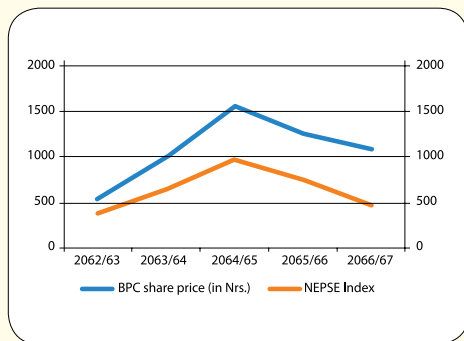
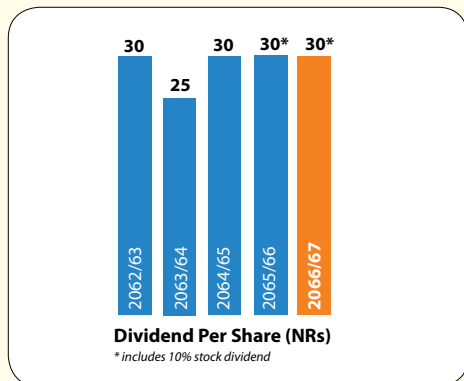
Shareholding

Share Ownership Structure at the End of the Fiscal Year:

NAME OF SHAREHOLDERS	OWNERSHIP (%)	SHARES HELD
Shangri-La Energy Limited	68.95%	6,364,009
General Public/ Individuals	10.00%	923,133
Government of Nepal	9.09%	839,031
Interkraft Nepal AS	6.05%	558,216
United Mission to Nepal	2.79%	257,632
Employees	2.00%	184,627
Nepal Electricity Authority	1.06%	97,481
Nepal Industrial Development Corporation	0.06%	5,546
Total	100%	9,229,675



SHAREHOLDERS AT 17TH ANNUAL GENERAL MEETING



Right Issue

- The 17th AGM of the Company has approved Right Issue in the ratio of 3:2 to meet the fund requirements needed for the under construction projects and for the projects that the company is planning to undertake.
- The Right Issue is under process because of the shifted construction plan of projects due to the political and investment situation of the country.

Annual General Meeting

The 17th Annual General Meeting was held on 8th January 2010 (24 Poush 2066) at BPC Corporate Office, Kathmandu.

The 18th Annual General Meeting will be held on:

Date: 7 January 2011 (23 Poush 2067)

Time: 2:30 PM

Venue: Indreni Complex, Baneshwor, Kathmandu

Fiscal Year

In line with the practice followed by the Government of Nepal, the fiscal year is spread from Shrawan to Ashad as per Bikram Sambat Calendar (starting from 1st Shrawan ending to Ashadh end of the following year i.e. starting from 16 July ending to 15 July of the following year as per the Gregorian Calendar)

Stock Listing

BPC is listed on Nepal Stock Exchange and its ordinary shares are traded under the code "BPCL".

Share Registrar

NMB Capital Markets Ltd.

Babarmahal, Kathmandu

Phone No.: 977-01-4421652, 4423219,

Fax No.: 977-01-4423401

Email: ncml@ncml.wlink.com.np

URL: www.ncml.com.np

Five Year Summary of Balance Sheet

in Thousand NRs

PARTICULARS	2062/63 2005/2006	2063/64 2006/2007	2064/65 2007/2008	2065/66 2008/2009	2066/67 2009/2010
ASSETS & PROPERTY:					
Fixed Assets	743,605	743,893	725,742	765,339	781,666
Land	60,372	60,408	60,408	64,305	66,561
Office Building & Quarters	30,710	33,629	33,502	32,976	30,508
Access Road	3,245	3,014	2,784	2,554	2,323
Suspension Bridge	2,141	1,989	1,837	1,685	1,533
Power Plant & Machinery	368,596	340,697	314,043	287,502	281,217
Switching Station	-	-	-	20,734	19,893
Sub Station	-	-	-	-	33,048
Transmission & Distribution Line	254,182	276,756	267,466	294,953	305,741
Office Equipments	19,565	22,700	25,695	28,870	20,866
Furnitures	1,305	1,461	1,645	2,078	1,373
Vehicles	3,489	3,239	18,362	29,682	18,603
Work in Progress	37,970	24,369	37,191	43,155	95,404
Investment in Shares	434,481	465,705	477,858	706,134	807,211
Current Assets, Loan & Advance	524,022	647,416	746,136	743,837	651,519
Stock	57,623	58,896	74,647	92,723	104,543
Debtors & Receivable	35,512	58,918	88,407	171,359	93,690
Cash & Bank Balance	364,373	457,035	412,635	291,687	234,888
Advance & Deposit	66,514	72,567	170,447	188,068	218,398
Deferred Revenue Expenditure	4,369	888	4,765	5,735	5,644
Total	1,744,447	1,882,271	1,991,692	2,264,200	2,341,444
CAPITAL & LIABILITIES:					
Equity	839,058	839,058	839,058	839,058	922,968
Reserve & Surplus	461,510	455,805	556,762	707,210	706,834
General Reserve	148,700	148,700	148,700	148,700	148,700
Retained Earnings	222,131	222,805	306,397	429,502	385,120
Grant Aid in Reserve	90,679	84,300	101,665	129,008	173,014
Long Term Loan	-	-	-	26,729	57,970
Current Liabilities	440,410	568,510	570,323	624,543	566,569
Short Term Loan	-	89,947	183,956	154,294	205,495
Creditors & Payables	438,803	447,705	356,934	434,050	301,517
Advance & Deposit	1,607	30,858	29,433	36,199	59,557
Provisions	3,469	18,898	25,549	66,660	87,103
Provision for Corporate Tax	3,469	9,619	9,401	12,247	25,207
Corporate Tax for 2060/61 (under Appeal)	-	-	-	16,774	16,774
Provision of Loss in Investment	-	9,279	16,148	37,639	45,122
Total	1,744,447	1,882,271	1,991,692	2,264,200	2,341,444

Five Year Summary of Profit and Loss Account

in Thousand NRs

PARTICULARS	2062/63 2005/2006	2063/64 2006/2007	2064/65 2007/2008	2065/66 2008/2009	2066/67 2009/2010
INCOME					
Operating Income					
Electricity Sale to NEA	318,483	334,166	372,521	375,103	387,896
Electricity Sale to Consumers	39,936	45,603	49,166	55,697	65,535
Electricity Services	5,353	3,634	6,151	8,040	9,137
Management and Technical Support	-	-	-	3,740	17,241
Consultancy Services	11,498	9,535	18,894	28,108	-
Total Operating Income	375,270	392,938	446,732	470,688	479,809
Income from Other Sources					
Interest Income	13,639	15,365	16,495	11,272	6,408
Foreign Currency Exchange Gain (Loss)	7,483	(25,740)	18,217	30,809	(3,651)
Dividend Income	88,036	97,982	156,894	104,843	137,803
Gain (Loss) on Disposal of Assets & Stock Materials	(6,090)	-	143	608	(602)
Depreciation Being Revenue Portion of Grant Aid	6,833	6,964	5,276	5,866	7,547
Grant Support for Technology Transfer	-	2,794	3,867	4,317	2,077
Other	918	1,461	1,983	2,897	1,699
Total Non- Operating Income	110,819	98,826	202,875	160,612	151,281
Total Income	486,089	491,764	649,607	631,300	631,090
EXPENDITURE					
Generation Expenses	57,715	74,565	82,514	88,491	137,842
Distribution Expenses	31,054	33,303	48,428	48,700	55,762
Management and Technical Support Expenses	-	-	-	-	12,072
Project Development Expenses	-	-	-	-	1,045
Consultancy Services	13,692	8,774	16,743	18,957	-
Administrative Expenses	34,990	40,068	59,920	70,377	83,253
Provision of Loss in Investment	-	9,479	6,869	21,491	7,483
Interest Expense	-	5,266	7,246	7,913	18,104
Depreciation	49,959	51,924	55,103	61,873	60,632
Staff Bonus	6,791	5,926	9,504	9,659	5,457
Total Expenditure	194,201	229,305	286,327	327,461	381,650
Net Profit Before Tax	291,888	262,459	363,280	303,839	249,440
Income Tax Provision	3,469	9,619	9,401	12,247	25,207
Net Profit After Tax	288,419	252,840	353,879	291,592	224,233
Retained Earnings b/f	185,484	222,131	222,805	306,397	429,502
Prior Year's Adjustment	(55)	(531)	(18,570)	(676)	(115)
Dividend of 2057/58 Paid	-	(41,871)	-	-	-
10% Stock Dividend	-	-	-	-	(83,906)
Proposed Dividend	(251,717)	(209,764)	(251,717)	(167,811)	(184,594)
Balance transferred to B/S	222,131	222,805	306,397	429,502	385,120

award & recognition



We were awarded "National Best Presented Accounts Award 2009" for the fifth time in a row by the Institute of Chartered Accountants of Nepal in the manufacturing sector for excellence in the presentation of financial statement and annual report.

BPC received an award of merit in the manufacturing sector for the year 2009 from the South Asia Federation of Accountants (SAFA) 2nd time in a row. The award was conferred on the basis of evaluations of SAFA's Committee for Improvement in Transparency, Accountability and Governance of the published annual reports.

BPC got recertified in ISO 9001:2000 to ISO 9001:2008 in the fiscal year.



bpc
BUTWAL POWER
COMPANY LIMITED

financial
statements
2010



PP PRADHAN & CO
Sanepa, Lalitpur, Po Box:3242
Kathmandu, Nepal
Tel:+ 977 1 5551126 Fax: +977 1 5532878

THE SHAREHOLDERS BUTWAL POWER COMPANY LIMITED

Audit Report 2066/67 (2009/2010)

We have examined the attached Balance Sheet of Butwal Power Company Limited as at 32 Ashad 2067 (16 July 2010) and Profit and Loss Account, Cash Flow Statement and the Statement of Changes in Capital for the year then ended with the books of account made available to us and we report as follows:

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND AUDITORS

These financial statements are the responsibility of the management. It is our responsibility to express an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted audit of these statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluation of the overall financial statement presentation.

OPINION

1. We obtained prompt replies to our queries and all the explanations asked for.
2. The Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Capital have been prepared in conformity with the provisions of the Company Act 2063 and they are in agreement with the accounts of the Company.
3. The accounts and records of the Company have been maintained as required by law.
4. In our opinion and to the best of our information and the explanation given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Capital show a true and fair view of the state of affairs of the Company as at 32 Ashad 2067 (16 July 2010) and for the year then ended.
5. It has not come to our notice that the board of directors or the employees or the representative have caused any loss or damage to the Company or acted in violation of the law.

Pratap P Pradhan
For PP Pradhan & Co
Chartered Accountants
Date: 28 Mansir, 2067 (14 December 2010)
Place: Kathmandu, Nepal



Balance Sheet

As on 32 Ashadh 2067 (16 July 2010)

PARTICULARS	SCHEDULE	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	922,967,500	839,057,700
Reserve & Surplus	2	533,820,213	578,201,586
Total Shareholder's Fund		1,456,787,713	1,417,259,286
2 Grant Aid in Reserve	3	173,014,453	129,007,531
3 Long Term Loan		57,970,205	26,729,017
TOTAL		1,687,772,371	1,572,995,834
II APPLICATION OF FUND			
1 Fixed Assets	4		
Gross Block		1,431,533,963	1,399,450,313
Less: Depreciation		649,868,310	634,110,823
Net Block		781,665,654	765,339,490
2 Work in Progress	5	95,403,540	43,154,621
3 Investment in Share	6	807,210,703	706,133,599
4 Current Assets:			
Stocks	7	104,543,202	92,723,110
Debtors & Accounts Receivable	8	93,689,740	171,359,374
Cash in Hand and at Bank	9	234,887,883	291,687,158
Advance & Deposit Paid	10	218,397,863	188,067,649
Total Current Assets		651,518,688	743,837,291
5 Less: Current Liabilities			
Short Term Loan		205,494,751	154,294,292
Creditors & Accounts Payable	11	301,517,420	434,050,026
Advance & Deposit Received	12	59,555,998	36,199,802
Provisions	13	87,102,911	66,660,049
Total Current Liabilities		653,671,080	691,204,169
Net Current Assets		(2,152,392)	52,633,123
6 Deferred Revenue Expenditure		5,644,867	5,735,001
TOTAL		1,687,772,371	1,572,995,834

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

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Ganesh Lal Shrestha
Director

Bijay Bahadur Shrestha
Director

Ratna Sansar Shrestha
Director

Anup Kumar Upadhyay
Director

Nirmal Pradhan
Director

Ranjan Lohar
Chief Executive Officer

Ratna Shakya
Chief Finance Manager

As per our report of even date

Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants

Date: 14 December 2010
Place: Kathmandu, Nepal

Profit and Loss Account

For the year ended 32 Ashadh 2067 (16 July 2010)

PARTICULARS	SCHEDULE	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
OPERATING INCOME			
Electricity Sale to NEA		387,896,108	375,103,078
Electricity Sale to Consumers	14	65,535,479	55,697,120
Electricity Services	15	9,136,813	8,040,142
Management and Technical Support	16	17,240,823	3,740,015
Consultancy Services		-	28,108,227
Total Operating Income		479,809,224	470,688,581
OPERATING EXPENSES			
Generation Expenses	17	137,841,840	88,491,333
Distribution Expenses	18	55,762,291	48,699,815
Management and Technical Support Expenses	19	12,071,650	-
Project Development Expenses	20	1,045,186	-
Consultancy Services		-	18,957,079
Total Operating Expenses		206,720,966	156,148,227
GROSS OPERATING PROFIT		273,088,258	314,540,355
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	21	83,252,504	70,376,590
Depreciation	4	60,632,368	61,872,552
Provision of Loss in Investment	22	7,483,027	21,491,294
Interest on Loan		18,103,700	7,912,682
Total Administrative and Other Expenses		169,471,599	161,653,118
INCOME FROM OTHER SOURCES			
Interest Income		6,407,572	11,272,109
Other Income	23	1,698,338	2,896,078
Depreciation Being Revenue Portion of Grant Aid		7,547,367	5,866,305
Grant Support for Technology Transfer		2,077,247	4,316,813
Dividend Income		137,802,992	104,842,701
Foreign Currency Exchange Gain (Loss)		(3,651,236)	30,809,400
Gain (Loss) on Disposal of Assets & Stock Materials	24	(601,916)	607,739
Total Income From Other Sources		151,280,365	160,611,145
PROFIT (LOSS) BEFORE BONUS & TAX		254,897,024	313,498,381
Employees's Bonus		5,457,355	9,659,329
Provision for Corporate Tax		25,206,724	12,246,889
NET PROFIT (LOSS) BEFORE APPROPRIATION		224,232,945	291,592,163
Profit & Loss Appropriation Account:			
Last Years Balance		429,501,586	306,396,794
Profit for This Fiscal Year		224,232,945	291,592,163
Total		653,734,531	597,988,957
Less: 10% Stock Dividend		(83,905,770)	
Less: Dividend		(184,593,500)	(167,811,540)
Total Dividend		(268,499,270)	(167,811,540)
Prior Year's Adjustment		(115,048)	(675,831)
Balance Transferred to Balance Sheet		385,120,213	429,501,586

Significant Accounting Policies & Notes to Accounts

Schedule 14 to 25 form an integral part of this financial statement.

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Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Ganesh Lal Shrestha
Director

Bijay Bahadur Shrestha
Director

Ratna Sansar Shrestha
Director

Anup Kumar Upadhyay
Director

Nirmal Pradhan
Director

As per our report of even date

Ranjan Lohar
Chief Executive Officer

Ratna Shakya
Chief Finance Manager

Pratap Prasad Pradhan
PP Pradhan & Co.

Date: 14 December 2010
Place: Kathmandu, Nepal

Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

For the year ended 32 Ashadh 2067 (16 July 2010)

PARTICULARS	SHARE CAPITAL	GENERAL RESERVE	RETAINED EARNINGS	TOTAL NRs.
Last Year's Balance	839,057,700	148,700,000	429,501,586	1,417,259,286
Addition for This Year	83,909,800			83,909,800
10% Stock Dividend			(83,905,770)	(83,905,770)
Dividend for the Year			(184,593,500)	(184,593,500)
Profit for the Year			224,232,945	224,232,945
Prior Year's Adjustment			(115,048)	(115,048)
Balance as on 32nd Ashadh, 2067	922,967,500	148,700,000	385,120,213	1,456,787,713

STATEMENT OF CASH FLOW

For the year ended 32 Ashadh 2067 (16 July 2010)

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	254,897,024	313,498,381
Adjustment for:		
Ordinary Depreciation	53,085,001	56,006,247
Depreciation Charged to Grant Aid in Reserve	7,547,367	5,866,305
Foreign Currency Exchange (Gain)/Loss	3,651,236	(30,809,400)
Interest Expenses	18,103,700	7,912,682
Interest Received	(6,407,572)	(11,272,109)
Dividend Received	(137,802,992)	(104,842,701)
Provision on Loss in Investment	7,483,027	21,491,294
(Gain)/Loss on Disposal of Stock	601,916	(607,739)
Written off of Assets	10,964,101	679,154
Operating Profit before Working Capital Changes	212,122,807	257,922,114
Decrease/(Increase) in Debtors & Accounts Receivable	77,669,634	(82,952,202)
Decrease/(Increase) in Stocks	(12,422,008)	(17,468,820)
Decrease/(Increase) in Advance & Deposit Paid	(30,330,214)	(846,257)
Increase/(Decrease) in Creditors & Accounts Payable	(145,112,591)	160,866,228
Increase/(Decrease) in Advance & Deposit Received	23,356,196	6,766,571
Decrease/(Increase) in Deferred Revenue Expenses	90,134	(970,423)
Cash generated from operations	125,373,958	323,317,211
Interest Paid	(18,103,700)	(7,912,682)
Foreign Currency Exchange Gain/(Loss)	(3,651,236)	30,809,400
Bonus Paid	(9,659,329)	(9,503,641)
Tax Paid	(12,246,889)	(9,400,691)
Prior Year's Adjustment	(111,018)	(675,831)
Net Cash Flows from Operating Activities (A)	81,601,786	326,633,766
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(87,922,633)	(102,148,818)
Investment in Share	(101,077,104)	(228,275,990)
Decrease/(Increase) in Work-in-Progress	(52,248,919)	(5,963,482)
Interest Received	6,407,572	11,272,109
Dividend Received	137,802,992	104,842,701
Net Cash Flows from Investing Activities (B)	(97,038,091)	(220,273,481)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Grant Aid in Reserve	44,006,922	27,342,106
Increase/(Decrease) in Long Term Loan	31,241,188	26,729,017
Dividend Paid	(167,811,540)	(251,717,310)
Net Cash Flows from Financing Activities (C)	(92,563,430)	(197,646,187)
Net Changes in Cash & Cash Equivalents (A+B+C)	(107,999,734)	(91,285,902)
Opening Cash and Cash Equivalents	137,392,866	228,678,768
Closing Cash and and Cash Equivalents	29,393,132	137,392,866

Schedules to the Balance Sheet & Profit & Loss Account

Fiscal Year 2066/67 (2009/2010)

Share Capital

PARTICULARS	Schedule No. 1	
	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Authorised Capital:		
80000000 Shares of Rs.100/- each	8,000,000,000	1,500,000,000
Issued Capital		
16900000 Shares of Rs.100/- each	1,690,000,000	1,400,000,000
Paid up Capital:		
Shares at face value of Rs. 100 each		
Government of Nepal	83,903,100	76,275,500
Shangri-La Energy Limited	636,400,900	578,546,300
Interkraft Nepal A.S., Norway	55,821,600	50,746,900
United Mission to Nepal	25,763,200	23,421,100
Nepal Electricity Authority	9,748,100	8,861,900
Nepal Industrial Development Corporation	554,600	504,200
Employees	16,781,100	16,781,100
General Public	93,978,400	83,905,700
Purna Prasad Adhikari	5,500	5,000
Balaram Pradhan	5,500	5,000
Suman Basnet	5,500	5,000
Total	922,967,500	839,057,700

Reserve and Surplus

PARTICULARS	Schedule No. 2	
	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
General Reserve	148,700,000	148,700,000
Retained Earnings	385,120,213	429,501,586
Total	533,820,213	578,201,586

Grant Aid in Reserve

Schedule No. 3

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
NORAD Grant for JHEREP II A - R.E.	16,423,085	18,087,552
UMN PCS Assistance for Rural Electrification	28,275,656	29,870,175
USAID Grant for Rural Electrification	18,421,722	19,810,595
USAID Support for REGDAN	16,156,791	16,896,374
JRP Grant for Enhancement of Power Plant	9,172,505	9,238,862
NMFA Support for REEP	62,161,857	27,046,025
KADOORI VDC	1,198,043	694,582
Udaypurkot VDC	374,206	391,475
Dhungegadhi VDC	1,341,808	953,451
Hansapur VDC	1,474,925	999,545
Dhakabang VDC	689,818	241,346
Bhingree VDC	646,036	218,241
Markabang VDC	69,634	72,575
Dharampani VDC	600,595	625,968
Akladi VDC	2,246,831	1,202,697
Kalikakot VDC	1,816,424	711,400
Banethok Deurali VDC	1,271,208	588,238
Sorek VDC	449,345	283,776
Tindobate VDC	186,097	193,960
Sekham VDC	489,108	378,573
Darchha VDC	770,066	327,489
Rampur VDC	535,709	174,631
Heklang VDC	698,521	-
Kuwakot VDC	84,919	-
Gejha VDC	112,369	-
Walling (Pension Camp)	43,616	-
Sirsekot VDC	80,468	-
Dhapuk VDC	172,915	-
Nepal Telecom (Banethok)	111,893	-
Sakhar VDC	286,481	-
Gandakot VDC	588,234	-
Narange DWP, Pakala	1,015,550	-
Sari VDC	334,586	-
NEPAL TELECOM, Pyuthan	268,466	-
Bangesal VDC	1,484,566	-
DDC- Arghakhanchi	2,960,400	-
Total	173,014,453	129,007,531

Fixed Asset & Depreciation

Schedule No. 4

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 31ST ASHADH, 2066	ADDITION DURING THE YEAR	ADJUSTMENT DURING THE YEAR	AS AT 32ND ASHADH, 2067	AS AT 31ST ASHADH, 2066	ADJUSTMENT DURING THE YEAR	PROVIDED DURING THIS YEAR	AS AT 32ND ASHADH, 2067	AS AT 32ND ASHADH, 2067 NRS.	AS AT 31ST ASHADH, 2066 NRS.
Group A : Property and Power Plant:										
i : BPC Funded Asset										
Land	64,304,929	642,084		64,947,014	-			-	64,947,014	64,304,929
Access Road	5,760,000			5,760,000	3,206,400		230,400	3,436,800	2,323,200	2,553,600
Suspension Bridge	3,800,000			3,800,000	2,115,333		152,000	2,267,333	1,532,667	1,684,667
Guesthouse,Stores,Offices,Quarters	50,268,140		(558,621)	49,709,519	17,291,787	(103,621)	2,013,482	19,201,649	30,507,870	32,976,352
Power Plant Electro-Mechanical Equipment	335,185,420	17,254,415	(12,439,078)	340,000,757	185,089,892	(12,439,078)	13,269,517	185,920,331	154,080,426	150,095,528
Power Plant Civil Works	318,280,185			318,280,185	188,125,224		12,726,401	200,851,625	117,428,559	130,154,960
Switching Station	11,272,319			11,272,319	150,298		450,892	601,190	10,671,129	11,122,021
Sub-Station		9,532,542		9,532,542			127,101	127,101	9,405,441	-
Transmission Line	174,061,307	945,094	(23,170,000)	151,836,401	100,309,916	(23,170,000)	6,293,855	83,433,771	68,402,630	73,751,391
Distribution Line	160,631,725	5,841,258		166,472,983	50,243,654		6,502,753	56,746,407	109,726,576	110,388,071
Sub - Total i	1,123,564,025	34,215,394	(36,167,699)	1,121,611,720	546,532,505	(35,712,699)	41,766,401	552,586,207	569,025,513	577,031,520
ii : Grant Aided Asset										
Transmission Line	13,965,128	1,360,847		15,325,975	3,179,557		576,652	3,756,209	11,569,767	10,785,571
Distribution Line	131,188,074	21,617,448		152,805,522	32,615,054		5,534,424	38,149,479	114,656,043	98,573,020
Power Plant Electro-Mechanical Equipment	12,574,320	3,000,000		15,574,320	5,323,324		542,573	5,865,897	9,708,423	7,250,996
Switching Station	9,741,564			9,741,564	129,888		389,663	519,551	9,222,013	9,611,676
Sub-Station		23,961,984		23,961,984			319,493	319,493	23,642,491	-
Land		1,614,010		1,614,010				-	1,614,010	-
Transmission Sub-station	1,760,314			1,760,314	305,123		70,413	375,536	1,384,778	1,455,191
Sub - Total ii	169,229,400	51,554,289	-	220,783,689	41,552,946	-	7,433,218	48,986,164	171,797,525	127,676,454
Total A (i+ii)	1,292,793,425	85,769,683	(36,167,699)	1,342,395,409	588,085,451	(35,712,699)	49,199,619	601,572,371	740,823,038	704,707,974
Group B: Office Equipment & Furniture										
i : BPC Funded Asset										
Computer & Accessories	18,108,446	499,970	(3,380,440)	15,227,976	9,110,547	(2,262,170)	2,109,457	8,957,835	6,270,141	8,997,899
Furniture & Fixture	3,683,493	110,378	(948,511)	2,845,360	1,605,267	(635,518)	502,212	1,471,961	1,373,399	2,078,226
Office Equipment	19,697,854	922,646	(5,012,689)	15,607,811	10,086,364	(3,343,376)	2,196,819	8,939,807	6,668,004	9,611,490
Sub - Total i	41,489,793	1,532,993	(9,341,640)	33,681,147	20,802,178	(6,241,064)	4,808,488	19,369,603	14,311,544	20,687,615
ii : Grant Aided Asset										
Office Equipment	1,574,260			1,574,260	1,117,663		114,149	1,231,812	342,448	456,597
Sub - Total ii	1,574,260	-	-	1,574,260	1,117,663	-	114,149	1,231,812	342,448	456,597
Total B (i+ii)	43,064,052	1,532,993	(9,341,640)	35,255,406	21,919,841	(6,241,064)	4,922,637	20,601,415	14,653,992	21,144,211
Group C: Vehicle										
Vehides	45,401,112	145,700	(8,190,906)	37,355,906	15,718,681	(1,766,130)	4,800,017	18,752,568	18,603,338	29,682,432
Group D: Workshop Plant and Equipment										
Workshop Plant & Equipment	12,638,924	390,655	(225,669)	12,803,911	5,568,933	(184,224)	1,109,489	6,494,198	6,309,713	7,069,991
Construction Equipment	50,000			50,000	44,786		782	45,568	4,432	5,214
Distribution Networks	1,368,415	50,601	(85,900)	1,333,116	867,577	(85,284)	85,391	867,684	465,432	500,838
Total D	14,057,339	441,256	(311,569)	14,187,027	6,481,296	(269,508)	1,195,662	7,407,449	6,779,577	7,576,043
Group E: Intangible Assets										
Computer Software	4,134,385	33,000	(1,827,170)	2,340,216	1,905,555	(885,481)	514,433	1,534,507	805,709	2,228,830
Grand Total (A+B+C+D+E)	1,399,450,313	87,922,633	(55,838,982)	1,431,533,963	634,110,823	(44,874,882)	60,632,368	649,868,310	781,665,654	765,339,490
Total Asset BPC Funded	1,228,646,654	36,368,344	(55,838,982)	1,209,176,015	591,440,214	(44,874,882)	53,085,001	599,650,334	609,525,682	637,206,440
Total Asset Grant Aided	170,803,659	51,554,289	-	222,357,948	42,670,609	-	7,547,367	50,217,976	172,139,972	128,133,050

Work in Progress

Schedule No. 5

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
A: Capital Work in Progress:		
Rural Electrification on MFA Grant (REEP)	3,395,244	5,610,030
Galyang-Syangja Line Upgrading	-	48,718
Online Sediment Monitoring System H/W	-	1,746,876
BPC New Office Building	31,059,436	-
Sub Total	34,454,680	7,405,624
B: Project Work in Progress:		
BPC Distribution Expansion	830,689	830,689
Andhikhola Upgrading	37,001,492	16,896,411
Screening & Ranking Projects	-	1,383,942
Demand Side Managemet Study	782,047	782,047
Bhim Khola SHP	6,118,618	5,850,388
KABELI - A Project	12,129,268	7,374,194
Nyadi Hydropower Project	-	1,513,107
Tadi Khola HP	-	302,966
Sustainable Land use and Agro Ent.	-	29,666
Lower Manang Marshyangdi HEP	3,584,341	287,350
Due Deligence - Lower Khare	-	211,628
Due Deligence - Super Madi	26,202	12,350
Dordi I - Due Delligence	-	188,090
Karnali Due Delligence	-	36,168
Uper Mai khola HP	26,510	-
Construction Mgmt of Sikta Irrigation Project	24,626	-
Guna SHP	425,066	-
Upper Tamakoshi Reports (PMD)	-	50,000
Sub Total	60,948,860	35,748,997
Total	95,403,540	43,154,621

Investment in Shares (unlisted companies)

Schedule No. 6

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
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	72,915,000	38,498,800
Keton Hydropower Limited	14,400,000	14,400,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	8,100,000	-
Hydroconsult Pvt. Limited	8,000,000	-
Sub Total	734,065,961	683,549,761
B: Advance/Investment toward Share		
Khudi Hydropower Limited	18,000,000	18,000,000
Nyadi Hydropower Limited	10,000,000	-
Keton Hydropower Limited	500,000	-
Hydroconsult Pvt. Limited	1,422,656	-
Kirne HEP	28,722,086	4,583,838
Kabeli Energy Limited	14,500,000	-
Sub Total	73,144,742	22,583,838
Total	807,210,703	706,133,599

Stocks

Schedule No. 7

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
General Stock/Office Supplies/Consumer Service Item	15,418,154	10,130,693
Stock of Electric Goods	5,021,867	5,698,551
Power Plant Simulator/Power House Equipment	34,393,574	35,512,905
T/L & D/L Stock	48,418,139	39,249,932
Steel Stock	44,465	354,850
GI Fittings	99,985	110,837
Fuel/Lubricants	102,073	94,245
Vehicle Spareparts	126,035	180,243
Medical Stock	44,430	36,732
Stock at Site	-	479,641
Power House Equipment (JRP Grant)	874,481	874,481
Total	104,543,202	92,723,110

Debtors & Accounts Receivable

Schedule No. 8

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Sundry Debtors	739,400	2,678,424
Nepal Electricity Authority	31,825,811	46,250,810
Provision for Doubtful Debt (NEA Receivable)	5,228,843	5,228,843
Local Consumers	4,998,917	4,280,619
Other Receivables	577,183	506,319
Accrued Interest	95,768	342,137
Retention Receivable	30,000	30,000
Bank Guarantee Margin	3,762,500	3,155,500
Receivable from USAID	-	2,143,732
VAT Receivables (REGDAN)	-	1,040,185
Sulav Co-operative Society Limited	285,365	639,500
Norwegian Embassy	40,945	3,669,706
Dhungegadhi VDC	497,239	287,238
Hanspur VDC	332,048	386,214
Markabang VDC	-	53,107
Dharampani VDC	-	377,368
Bhingree VDC	30,005	-
Bangesal VDC	1,599,999	-
Sari VDC	383,140	-
Dividend Receivable from HPL	-	78,255,532
Himal Power Limited	86,060	-
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	11,283,717	10,804,434
BPC Services Limited	5,733,701	4,415,532
Nyadi Hydropower Limited	5,246,170	3,380,825
Keton Hydropower Limited	1,945,761	1,053,751
BPC - SILT Joint Venture	851,306	848,906
BPC - HES - WRC Joint Venture	148,045	1,530,691
Hydroconsult Pvt. Limited	17,935,582	-
Kabeli Energy Limited	32,236	-
Total	93,689,740	171,359,374

Cash in Hand and at Bank

Schedule No.9

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Office Cash	494,089	568,726
Current Bank A/C	8,641,807	4,996,834
Foreign Currency A/C	50,648,699	174,528,306
Call/Time/Fixed Deposit	62,193,247	32,634,868
Cheques in hand	-	46,500
Fixed/Time/ Deposit : Foreign Currency (US\$)	112,910,040	78,911,924
Total	234,887,883	291,687,158

Advance & Deposit Paid

Schedule No. 10

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Advance Income Tax	25,327,578	13,363,907
Loan & Advance to Staff	422,638	383,246
Gratuity Fund in CIT	64,313,214	55,805,121
Deposits	5,707,331	6,819,331
Various Advances	254,912	522,639
Rabina Construction/Sharma & Co.	16,481,480	-
Lamjung Electricity Dev.Co.(LEDSCO)	347,500	347,500
Prepaid Insurance Premium	1,000,000	1,000,000
Jhapali Nirman Sewa	-	1,525,412
S.N. Power	200,000	-
Prepaid Expenses	584,098	216,178
Nepal Hydro & Electric Limited	-	2,390,000
SCP Hydro International, Canada	139,481	-
NMFA Advances	291,720	3,583,168
L/C Related Expenses	-	118,237
Deposit against Tax Administrative Review	103,327,910	101,992,910
Total	218,397,863	188,067,649

Creditors & Accounts Payable

Schedule No. 11

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Sundry Creditors	10,117,602	14,505,622
Gratuity Fund Payable	77,665,970	63,164,621
Bonus Payable	5,457,355	9,659,329
Community Development Fund	4,074	4,074
Loyalty Bonus Fund	576,000	384,000
Retention Payable	5,422,332	2,474,421
Audit Fee Payable	197,750	236,775
Royalty Payable	2,681,207	1,426,348
TDS Payable	2,157,376	1,941,701
Dividend Payable	187,500,027	167,927,135
VAT Payable	1,730,073	1,622,771
Share Purchase Price Payable (HPL)	-	144,882,920
Share Purchase Price Payable (Keton HP)	1,400,000	1,400,000
Employees Accounts Payable	2,829,652	1,337,216
Capital Gain Tax Payable	-	19,423,432
Nepal Telecommunication Corporation	80,670	59,709
Welfare Fund Clearing A/C	270,034	52,512
Provision of Expenses	-	8,317
Stale Cheque	(36,375)	-
CIT Clearing A/C	34,500	-
Subsidiary:		
Nepal Hydro & Electric Limited	3,429,172	3,539,123
Total	301,517,420	434,050,026

Advance & Deposit Received

Schedule No. 12

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Customer Deposit	27,650	27,650
Security Deposit	519,702	354,072
Advance Received From NMFA	56,166,482	29,958,439
Advance Received From Andhikhola Bidhyut Bikash	-	2,007,000
Advance Received from DDC and VDC	2,842,163	3,852,641
Total	59,555,998	36,199,802

Provisions

Schedule No. 13

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Corporate Tax for the Year	25,206,724	12,246,889
Corporate Tax for 2060/61 (under Appeal)	16,774,216	16,774,216
Provision of Loss in Investment	45,121,971	37,638,944
Total	87,102,911	66,660,049

Electricity Sale to Consumers

Schedule No. 14

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Metered Consumers	42,443,869	36,272,564
Unmetered Consumers	747,114	1,369,975
Industrial Consumers etc.	8,005,520	7,107,709
User's Organization	14,338,976	10,946,871
Total	65,535,479	55,697,120

Electricity Services - Income

Schedule No. 15

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Fee and Charges	1,244,632	1,231,869
Sale of Meter/Cutout & Accessories	7,892,182	6,808,273
Sub-Total	9,136,813	8,040,142

Management and Technical Support : Income

Schedule No. 16

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
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	-
Managemnet Support Service (Nyadi)	1,679,054	2,734,123
Managemnet Support Service (Keton)	770,899	814,796
Managemnet Support Agreement (KHL)	431,404	191,096
Managemnet and Advisory Service (HCPL)	520,000	-
Total	17,240,823	3,740,015

Generation Expenses

Schedule No. 17

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Electricity Purchase	11,582,285	6,444,610
Staff Cost	36,953,330	30,814,462
Office Overhead	4,087,507	4,685,871
Vehicle Operation & Maintenance	1,332,652	1,117,804
Environment, Community & Mitigation Mitigation (JDMP)	1,103,367	1,779,843
Power Plant Operation & Insurance	2,688,556	2,148,972
Power Plant Maintenance	7,291,623	7,500,296
Deferred Expense - Mitigation Works	14,001,739	8,858,362
Royalty	5,810,764	4,072,918
Transmission Line Repair & Maintenance	52,522,483	20,059,435
Expenses Written Off	437,729	682,331
Total	137,841,840	88,491,333

Distribution Expenses

Schedule No. 18

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Staff Cost	25,982,830	22,862,195
Office Overhead	3,584,199	3,088,839
Vehicle Operation & Maintenance	1,540,369	1,657,023
T/L Maintenance	139,299	101,280
D/L Network Operation	13,681,404	11,510,034
D/L Network Repair & Maintenance	3,268,620	2,763,566
Subsidy on Sales of Meter	585,900	1,628,775
Royalty	6,458,030	4,642,931
Expenses Written Off	521,640	445,172
Total	55,762,291	48,699,815

Management and Technical Support : Expenses

Schedule No. 19

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
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	-
Kabeli A Project	2,049,574	-
Nyadi HP Works of Construction Phase	1,147,436	-
Nyadi HP Additional Job	512,044	-
Marsyandi III Additional Works	59,585	-
Managemnet Support Service (Nyadi)	1,445,922	-
Managemnet Support Service (Keton)	670,347	-
Managemnet and Advisory Service (HCPL)	129,191	-
Tadi khola HP Construction Supervision	10,000	-
Tadi Khola HP - Design Review Works	2,618,270	-
Total	12,071,650	-

Project Development: Expenses

Schedule No. 20

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
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	1,045,186	-

Administrative Expenses

Schedule No. 21

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
A: CEO's Remuneration and Expenses	6,594,957	6,217,367
B: Staff Cost:		
Salary	16,990,635	18,266,167
Allowance	11,131,470	9,897,556
Provident Fund	1,577,930	1,422,368
Paid Leave	1,935,887	1,287,509
Daily Wage	249,283	333,992
Overtime	1,309,397	1,289,439
Gratuity	5,170,034	3,571,320
Insurance	414,605	390,303
Festival Allowance	1,431,305	1,086,613
Performance Allowance	1,880,907	1,589,307
Sub-total	42,091,453	39,134,575
C: Office Overhead:		
General Office Overhead	10,465,129	10,086,616
Training and Development	1,157,293	2,392,727
CSR Expenses	160,000	3,107,690
External Audit Fee and Expenses	279,814	264,219
Internal Audit Fee and Expenses	546,562	660,087
ISO and Other Audit Fee and Expenses	598,389	720,878
Board Meeting Expenses	653,638	634,001
AGM Expenses	285,771	325,943
Vehicle O & M Expenses	(59,098)	89,139
Consultancy Expenses	3,395,071	3,348,347
Legal Expenses	2,000	-
Share Registrar/Related Expenses	285,836	119,535
Listing Fee and Expenses	3,941,097	-
Insurance and Property Taxes	762,071	753,476
Communication Expenses	2,293,782	2,081,018
Travel/Daily Allowance	3,436,808	3,622,767
Union Expenses	367,544	498,745
Write Off Expenses	50,903	678,829
Technical Support Overhead	8,997,406	-
Overhead Charged to Projects	(3,053,923)	(4,359,367)
Sub-total	34,566,094	25,024,648
Total Administrative Expenses	83,252,504	70,376,590

Provision of Loss in Investment

Schedule No. 22

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Khudi Hydropower Limited	7,297,912	21,284,416
JV of BPC/SILT	-	66,950
JIDCO	185,115	139,928
Total	7,483,027	21,491,294

Other Income

Schedule No. 23

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Housing Services	131,909	143,015
Guest House Income	160,875	133,990
Income from Other Sources	944,540	1,043,787
Personnel Services	-	1,015,693
Store Services	2,337	2,350
Equipment on Hire	30,000	128,367
Other General Services	428,677	428,875
Total	1,698,338	2,896,078

Gain (Loss) on Disposal of Assets & Stock Materials

Schedule No. 24

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
Sale Proceed	11,875,288	5,896,408
Less: Cost of Stock	(11,920,620)	(5,798,487)
Gain (Loss) on Sale of Assets/Scrap Materials	(56,584)	509,818
Total	(601,916)	607,739

Schedule No.25

Significant Accounting Policies and Notes Relating to the Annual Account for the Fiscal Year 2066/67 (2009/10)

1. BACKGROUND

Butwal Power Company Limited (BPC) 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.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

BPC's financial statements are prepared in accordance with generally accepted accounting principles 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. Capitalisation of Fixed Assets

Fixed assets are recorded at cost-less accumulated depreciation and 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 NRs. 5,000 per unit and plant equipment costing less than NRs.10,000 per unit is charged to the profit and loss account in the year of purchase.

C. Depreciation and Amortisation

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 amortised in five years while river training expenses are amortised in three years.

D. Inventory

Inventories are valued at cost 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 charged 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 in-house engineering, feasibility studies and business development expenses is valued at cost and shown as current work in progress.

G. Grant Aid in Reserve

Capital grant received is shown 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 realised 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 additional 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 electricity income is provided in line with the provisions of the Electricity Act 2049. In line with the Bonus Act, a 10% bonus is provided for income from other sources.

J. Asset Retirement

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

K. Exceptions to the Basis of Presentation

The accounting for the payment of staff medical insurance premium and accumulated leave is made on cash basis.

3. 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 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 NRs. 1090/-

per share. The face value of share is NRs. 100/- per share.

As decided by the 17th annual general meeting of the shareholders, 10% Bonus share has been distributed to the shareholders which increased the paid up share capital by Rs. 83,909,800. The issuance of 3:2 right share to the shareholders is in process.

4. REVALUATION OF OPERATING ASSETS AND INVESTMENTS

Operating Assets

The operating assets of the company is revalued at fair market value as on balance sheet date. The difference between fair market value NRs. 1,375,205,000 and carrying value NRs. 740,823,000 a total unrealized surplus amount of NRs. 634,382,000 has been identified as revaluation surplus as on balance sheet date. This surplus is not recognized in the financial statement.

Investments

The fair market value of the investment in shares of BPC on equity basis as on balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NRs. 1,192,365,072 has been identified as on balance sheet date. This surplus is not recognized in the financial statement.

Effect on Net Worth

With this revaluation, the net worth of BPC as on balance sheet date is Rs. 3,456,549,238.

5. GRANT AID IN RESERVE

The depreciation on grant aided assets for the year of NRs.7,547,367 have been charged against grant aid in reserve as shown below.

SOURCE OF GRANT	DEPRECIATION (IN NRs.)	CLOSING BALANCE (IN NRs.)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	16,423,085
UMN PCS contributions for rural electrification	1,594,519	28,275,656
USAID grant for rural electrification	1,388,873	18,421,722
USAID support for Rural Electrification Global Development Alliance of Nepal	739,583	16,156,791
Jhimruk Rehabilitation Project grant for enhancement of power plants	467,510	9,172,505
NMFA Support for Rural Electrification Expansion Project	1,563,169	62,161,857
Local VDC/Community	530,399	22,402,837
Total Grant Aid in Reserve	7,547,367	173,014,453
Less: Inventory items under JRP Grant		(874,481)
Total Grant Aided Assets		172,139,972

6. INVESTMENTS, ASSOCIATES, SUBSIDIARIES AND JOINT VENTURE

A. Investment in Shares

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

NAME OF COMPANY	NO. OF SHARES	UNIT RATE (IN NRs.)	FACE VALUE (IN NRs.)	COST PRICE (IN NRs.)	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	729,150	100	72,915,000	72,915,000	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

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.

HPL sold NRs. 2.378 billion worth of electricity in FY 2066/67 and has a net worth of NRs. 6.690 billion.

BPC has pledged its shares in HPL as collateral in Wilmington Trust Company (WTC), USA, for a loan

for the Khimti-I Hydropower Project under separate agreements with HPL, WTC and the lenders. This obligation will terminate upon the full settlement of the loan by 2011 A.D.

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 2066/67 was NRs. 225 million* and its net worth is NRs. 197 million*.

Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class 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 NRs 79.649 million* worth of electricity in FY 2066/67 and its net worth as of 32 Ashad 2067 was NRs 88.82 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 LEDCO. Shareholders agreement has been signed with Everest Power for equity participation. Everest Power will hold 29% shares in NHL. Everest Power is in the process of obtaining approval of DoI for Foreign Direct Investment. The project has optimized electricity generation at 30 MW installed capacity.

BPC's equity investment in this company has increased by NRs. 34,416,200 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 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. PEEDA has been supporting the HCPL by providing foreign professional engineers.

BPC received share certificate worth NRs. 8,000,000 from HCPL in consideration of the transfer of business assets of BPC Engineering. An asset worth NRs. 8,265,135 net block and current WIP (net) NRs. 1,222,681 were transferred to HCPL against share investment.

HCPL's turnover in FY 2066/67 is NRs. 24.19 million and its net worth is NRs. 10.65 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 2066/67 is NRs. 9.098 million and its net worth is NRs. 10.99 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 programmes.

* Provisional

In FY 2066/67, JIDCO's turnover was NRs. 2.69 million*. The net worth of the company stood at NRs. 12 million*.

Hydro Lab Private Limited

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

The turnover of Hydro Lab in this fiscal year was NRs. 15.28 million*. At the end of the fiscal year its net worth was NRs. 35.50 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.

B. 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 NRs.26.32 million rupees inclusive of VAT. BPC's primary responsibility is for the Madi Khola Small Hydropower Project, which is contracted at NRs.8.71 million. Loss on JV for the year is NRs. 71,613 and Retained earnings on fiscal year end stood at NRs. 1,547,137.

C. Provision of Loss in Investment

Provision of loss has been taken in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements.

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

7. RECEIVABLES AND WIP

Current WIP (asset) NRs. 3,229,681 and Current WIP (Liability) NRs. 2,007,000 were transferred to HCPL on 1 Srawan 2066.

8. CASH IN HAND AND AT BANK / BANK OVERDRAFT

Cash in hand and in the bank includes a foreign currency balance of US\$ 2,197,189. The overdraft/ bank loan facility from banks have been obtained against the security of USD fixed deposit receipts and proportionate hypothecation of Jhimruk Power plant assets.

9. DEFERRED REVENUE EXPENDITURE

The details relating to deferred revenue expenditure are given below.

PARTICULARS	AMOUNT (IN NRs.)	REMARKS
Last year's balance	5,735,001	
Addition for the year		
Jhimruk River training	5,870,630	Shall be written off within 3 years
Total	11,605,631	
Less amortization		
Jhimruk River training	1,956,877	1/3 Amortisation (1 st year)
Jhimruk River training	1,731,114	1/3 Amortisation (2 nd year)
Jhimruk River training	2,122,773	1/3 Amortisation (3 rd year)
VSAT expenses	150,000	1/5 Amortisation
Total amortization for the year	5,960,764	
Balance to be amortized	5,644,867	

* Provisional

10. SALE/PURCHASE OF ELECTRICITY: ANDHIKHOLA POWER PLANT

PARTICULARS	KWH	AMOUNT (IN NRs.)
Total electricity generation	38,679,150	
Total sales	39,152,691	
Sale to NEA	24,713,968	92,924,520
Sale to local consumers	12,182,294	50,677,073
Internal consumption	182,611	
Transit loss	3,610,251	
Purchase from NEA	(1,976,280)	(7,430,813)

11. SALE/PURCHASE OF ELECTRICITY: JHIMRUK POWER PLANT

PARTICULARS	KWH	AMOUNT (IN NRs.)
Total electricity generation	63,227,411	
Total sales	59,222,327	
Sale to NEA	56,725,305	294,971,588
Sale to local consumers	2,497,022	14,858,406
Internal consumption	245,312	
Transit loss	2,106,916	
Purchase from NEA	(798,360)	(4,151,472)

12. ADMINISTRATIVE EXPENSES

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

13. DIVIDEND INCOME

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

NAME OF COMPANY NRs.	US DOLLAR	EQUIVALENT NRs.
Himal Power Limited	1,896,257	137,802,992
Total		137,802,992

In booking the income from dividend, BPC follows generally accepted cash basis of accounting principle.

14. 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 of Jhimruk Power Plant for 11 months only. The dividend received from HPL is net of tax, hence, no tax provisions has been made for this income.

PARTICULARS	TAXABLE INCOME	TAX PROVISION
Jhimruk Center (For 11 months)	100,267,772	20,053,554
Andhikhola Center	25,765,848	5,153,170
Other Sources	-	-
Total	126,033,620	25,206,724

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.

15. 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.

NAME OF TRANSACTION PARTY	AMOUNT (IN NRs.)	ITEMS/SERVICES PROCURED
Mercantile Communications (P) Ltd	1,800,937	Proprietary VSAT service

16. TRANSACTION WITH SUBSIDIARIES

Following transactions were carried out with the subsidiary companies:

TRANSACTION WITH	PURCHASE AMOUNT (IN NRs.)	SALE AMOUNT (IN NRs.)	NATURE OF TRANSACTION
Nepal Hydro & Electric Limited	26,884,286	363,572	Repair and maintenance of power plant
Khudi Hydropower Limited		883,894	Management support services
BPC Services Limited	545,318	2,080,571	Management support services
Nyadi Hydropower Limited		2,064,363	Engineering and management support services
Keton Hydropower Limited		906,300	Engineering and management support services
Hydro-Lab Private Limited	1,494,321		Lab and Test Services
Hydro-consult Private Limited	188,484	18,482,360	Engineering and management support services
Kabeli Energy Limited		44,710	Management support services
Total	29,112,409	24,825,770	

17. 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.

18. 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 NRs.)			TOTAL
	NMFA	BPC	COMMUNITY CONTRIBUTION	
Fund received during the year	65,681,492			
Interest earned	1,049,395			
Total NMFA Grant for the year	66,730,887			
Funds used (expenditure)				
REEP	31,111,685	12,376,832	4,301,285	47,789,802
JDMP	9,411,158	2,688,556	959,200	13,058,914
Fund used for the year	40,522,843	15,065,388	5,260,485	60,848,716
Fund surplus for the year	26,208,044			
Fund balance b/f	29,958,438			
Total NMFA Fund balance	56,166,482			

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 costs under REEP of NRs. 51,270,618 (including BPC portion of NRs. 14,591,618) is capitalized; the NMFA portion of JDMP, NRs. 9,411,158 has been adjusted from advance received from NMFA and the BPC portion of JDMP, NRs. 2,688,556 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.

19. CONTINGENT TAX LIABILITY

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

PERIOD	ADDITIONAL TAX LIABILITY NRs	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 2063/64 and 2064/65 is underway.

20. 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:	NRs. 45,121,971
b. Deferred Liabilities:	
Deferred Revenue Expenditure	NRs. 5,644,867
c. Net Deferred Assets (a-b)	NRs.39,477,104
d. Deferred Tax Asset effect @20%	NRs. 7,895,422

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.

21. CAPITAL COMMITMENTS

a) 30-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. The estimated project cost is about USD 67 million. BPC's capital commitment on this project is 7.3 million US dollars.

b) 20-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 (LEDSCO) own 97.22% and 2.78% of NHL shares respectively. The estimated project cost is about USD 56 million. The capital commitment on BPC's part on this project is 16 million US dollars.

c) 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.

After completion of feasibility study of the project, BPC will have an obligation to inject equity of NRs. 1,080,000,000/-.

22. PRICE RISK

For purchase of goods, it is limited to the foreign currency exchange variation incase of specific spares and original equipment manufacturer's 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.

23. Figures of the previous year and rounding off

The figures of FY 2065/66 have been regrouped and reclassified wherever necessary to make comparison with the figures of FY 2066/67. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Balance Sheet of Subsidiaries & JVs

As on 32 Ashadh 2067 (16 July 2010)

ANNEX - 1 Relating to the Accounting Note # 6

PARTICULARS	Provisional	Audited	Audited	Provisional	Provisional	Audited	Provisional	Audited	Provisional
	KHUDI	NYADI	KETON	KABELI	NHE	BPCSL	BPC-HES-WRC JV	BPC-SILT JV	HYDRO CONSULT
Sources of Fund									
Shareholder's Fund									
Share Capital	84,000,000	75,000,000	16,000,000	9,750,000	139,530,000	10,000,000	-	-	10,000,000
Reserve & Surplus	(76,828,805)	-	-	-	49,740,898	989,493	1,547,137	(901,819)	654,539
Preference Share	81,650,000	-	-	-	-	-	-	-	-
Funds	-	-	-	-	7,892,502	-	-	-	-
Total Shareholder's Fund	88,821,195	75,000,000	16,000,000	9,750,000	197,163,400	10,989,493	1,547,137	(901,819)	10,654,539
Other Funds									
Mid Term & Long Term Debt	304,118,933	-	-	-	-	-	-	-	-
Advance share capital	-	-	-	8,000,000	-	-	-	-	1,422,656
Total Other Funds	304,118,933	-	-	8,000,000	-	-	-	-	1,422,656
TOTAL	392,940,128	75,000,000	16,000,000	17,750,000	197,163,400	10,989,493	1,547,137	(901,819)	12,077,195
Application of Fund									
FIXED ASSETS									
Gross Block	541,019,121	1,093,815	77,970	50,418	248,261,645	249,051	-	-	10,445,098
Less: Depreciation	88,001,247	619,569	-	4,202	125,901,909	71,068	-	-	1,690,357
Net Fixed Assets	453,017,874	474,246	77,970	46,216	122,359,736	177,983	-	-	8,754,741
Equipment pending installation	-	-	-	-	36,999,618	-	-	-	-
Capital Work in Progress	1,128,332	-	-	-	-	-	-	-	-
Major Repair (Flood)	9,116,403	-	-	-	-	-	-	-	-
Current Assets									
Cash in Hand and at Bank	1,733,071	11,245,505	246,260	8,810,044	842,904	589,057	924,348	780,386	745,057
Advances & Deposits	31,581,433	9,245,466	-	12,915	92,409,920	1,580,648	198,471	-	2,045,187
Debtors & Accounts Receivable	-	83,888	269,747	-	134,640,099	20,196,220	1,180,371	249,828	20,728,616
Inventories	-	-	-	-	61,244,717	-	-	-	-
Project in Progress	-	89,482,137	-	17,748,721	-	-	-	-	3,229,681
Letter of Credit Account	-	-	-	-	-	-	-	-	-
Total Current Assets	33,314,504	110,056,996	516,007	26,571,679	289,137,640	22,365,925	2,303,190	1,030,214	26,748,542
Less: Current Liabilities									
Creditors & Other Payables	115,436,759	35,531,242	3,123,786	8,867,895	197,512,343	10,937,250	756,053	1,932,033	19,711,314
Advance & Deposit received	-	-	-	-	-	-	-	-	3,115,695
Short Term Loan	-	-	-	-	35,151,047	-	-	-	-
Provisions	-	-	-	-	23,742,320	617,165	-	-	599,079
Dividend Payable	-	-	-	-	-	-	-	-	-
Total Current Liabilities	115,436,759	35,531,242	3,123,786	8,867,895	256,405,710	11,554,415	756,053	1,932,033	23,426,087
Net Current Assets	(82,122,254)	74,525,754	(2,607,778)	17,703,784	32,731,930	10,811,509	1,547,137	(901,819)	3,322,454
Pre-Operating Cost	5,352,585	-	18,529,808	-	-	-	-	-	-
Deferred Tax Assets	6,447,188	-	-	-	5,072,115	-	-	-	-
TOTAL	392,940,128	75,000,000	16,000,000	17,750,000	197,163,400	10,989,493	1,547,137	(901,819)	12,077,195

Profit & Loss Account of Subsidiaries & JVs

For the year ended 32 Ashadh 2067 (16 July 2010)

ANNEX - 2 Relating to the Accounting Note # 6

PARTICULARS	Provisional	Provisional	Audited	Provisional	Audited	Provisional
	KHUDI	NHE	BPCSL	BPC-HES-WRC JV	BPC-SILT JV	HYDRO CONSULT
Operating Income						
Sale Revenue/ Consultancy Service	79,649,122	225,365,254	9,098,457	-	-	24,190,724
Total Operating Income	79,649,122	225,365,254	9,098,457	-	-	24,190,724
Operating Expenses						
Power Plant Expenses/ Expenses/ Cost of Sale	21,968,012	177,022,703	-	71,613	32,646	20,159,088
Total Operating Expenses	21,968,012	177,022,703	-	71,613	32,646	20,159,088
Gross Profit/ (Loss)	57,681,109	48,342,551	9,098,457	(71,613)	(32,646)	4,031,636
Interest Income	2,768	-	1,152,490	-	-	20,503
Other Income	-	-	-	-	-	-
Administrative Expenses	13,927,006	36,741,955	8,273,967	-	-	1,873,614
Income/ (Loss) from Operation	43,756,871	11,600,596	1,976,980	(71,613)	(32,646)	2,178,525
Other Expenses						
Depreciation	22,637,772	8,469,142	37,318	-	-	793,541
Interest Expenses	39,692,247	3,554,101	-	-	-	-
Total Other Expenses	62,330,020	12,023,243	37,318	-	-	793,541
Income from Other Sources						
Foreign Currency Exchange (Loss)/Gain	(719,798)	(3,383,911)	-	-	-	-
Profit(Loss) on Sale of Fixed Assets	-	370,764	-	-	-	-
Non operating income	-	12,405,598	-	-	-	-
Total Income From Other Sources	(719,798)	9,392,451	-	-	-	-
Profit (Loss) Before Bonus & Tax	(19,292,947)	8,969,804	1,939,662	(71,613)	(32,646)	1,384,984
Profit (Loss) from JV	-	(8,956,439)	-	-	-	-
Provision for Employee's Bonus	-	1,215	176,333	-	-	125,908
Provision for Corporate Tax	-	(515,924)	440,832	-	-	314,769
Net Profit (Loss) Before Appropriation	(19,292,947)	528,074	1,322,497	(71,613)	(32,646)	944,307
Profit & Loss Appropriation Account:						
Appropriation :						
Last Years Balance	(57,535,858)	44,660,338	666,996	1,618,750	(869,173)	(289,768)
Profit/ (Loss) for the year	(19,292,947)	528,074	1,322,497	(71,613)	(32,646)	944,307
Total Profit (Loss)	(76,828,805)	45,188,412	1,989,493	1,547,137	(901,819)	654,539
Deferred Tax Income						
Less: Interim Dividend	-	-	-	-	-	-
Less: Proposed Dividend	-	-	1,000,000	-	-	-
Total Dividend	-	-	1,000,000	-	-	-
Deffered Tax for the previous year	-	-	-	-	-	-
Balance Transferred to Balance Sheet	(76,828,805)	49,740,898	989,493	1,547,137	(901,819)	654,539



bpc
BUTWAL POWER
COMPANY LIMITED

consolidated
financial statements
2010

Consolidated Balance Sheet

As on 32 Ashadh 2067 (16 July 2010)


PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
I SOURCES OF FUND		
1 Shareholder's Fund		
Share Capital	922,967,500	839,057,700
Preference Shares	24,050,000	24,050,000
Reserve & Surplus	518,468,955	570,606,039
Funds	4,048,854	6,606,354
2 Grant Aid in Reserve	177,251,905	133,733,959
3 Minority Interest	109,187,962	108,852,880
Total Shareholder's Fund	1,755,975,175	1,682,906,932
4 Other Funds		
Mid Term & Long Term Debt	362,089,138	413,968,323
Advance share capital	9,422,656	14,599,600
Total Other Funds	371,511,794	428,567,923
TOTAL	2,127,486,969	2,111,474,855
II APPLICATION OF FUND		
1 Fixed Assets		
Gross Block	2,232,731,082	2,170,151,393
Less: Depreciation	(866,156,662)	(817,949,948)
Net Fixed Assets	1,366,574,419	1,352,201,445
2 Equipment pending installation	36,999,618	36,934,727
3 Capital Work in Progress	96,531,872	44,282,953
4 Investment in Shares	525,005,085	485,924,355
5 Major Repair (Flood)	9,116,403	84,074,594
6 Current Assets		
Cash in Hand and at Bank	259,099,780	298,227,807
Advances & Deposits	355,273,432	300,984,391
Debtors & Accounts Receivable	227,431,144	224,562,528
Inventories	165,787,919	145,140,283
Project in Progress	110,460,539	60,738,087
Total Current Assets	1,118,052,814	1,029,653,096
7 Less: Current Liabilities		
Creditors & Other Payables	650,460,843	598,338,884
Short-term Loan	240,645,798	221,952,822
Advance & Deposit received	62,671,693	36,199,803
Provisions	112,061,475	88,002,050
Total Current Liabilities	1,065,839,809	944,493,559
Net Current Assets	52,213,005	85,159,537
8 Pre-Operating Cost	23,882,396	10,715,055
9 Deferred Tax Assets	17,164,170	12,182,189
TOTAL	2,127,486,969	2,111,474,855


Ratna Shakya

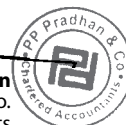
Chief Finance Manager


Ranjan Lohar

Chief Executive Officer



Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants



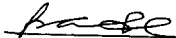
Consolidated Profit and Loss Account


For the year ended 32 Ashadh 2067 (16 July 2010)

PARTICULARS	F.Y. 2066/67 NRs.	F.Y. 2065/66 NRs.
OPERATING INCOME		
Sale Revenue/ Consultancy Service	768,813,186	788,282,763
Total Operating Income	768,813,186	788,282,763
OPERATING EXPENSES		
Power Plant Expenses/ Expenses/ Cost of Sale	376,571,175	388,214,917
Total Operating Expenses	376,571,175	388,214,917
GROSS OPERATING PROFIT	392,242,011	400,067,846
ADMINISTRATIVE AND OTHER EXPENSES		
Administrative Expenses	144,069,046	117,847,903
Depreciation	92,570,141	91,606,190
Provision of Loss in Investment	7,483,027	21,491,294
Interest Expenses	61,350,048	54,681,466
Total Administrative and Other Expenses	305,472,263	285,626,853
INCOME FROM OTHER SOURCES		
Interest Income	7,583,334	12,523,125
Other Income	1,698,338	3,062,527
Depreciation Being Revenue Portion of Grant Aid	7,547,367	5,866,305
Grant Support for Technology Transfer	2,077,247	4,316,813
Grant for Mitigation from SCPHI	-	1,742,526
Dividend Income	137,802,992	102,430,176
Foreign Currency Exchange (Loss)/Gain	(7,754,945)	28,237,050
Non operating income	12,405,598	166,124
Gain(Loss) on Sale of Assets & Scrap Materials	(231,152)	607,739
Total Income from Other sources	161,128,778	158,952,385
Profit (Loss) Before Bonus & Tax	247,898,527	273,393,378
Share of profit from Associates	673,819	1,307,388
Profit (Loss) from JV	(8,956,439)	(14,724,821)
Profit before bonus and tax	239,615,907	259,975,945
Provision for Employee's Bonus	5,834,836	9,979,843
Provision for Corporate Tax	25,631,462	13,049,049
Net Profit (Loss) Before Appropriation	208,149,609	236,947,053
Less :Minority Interest	(7,271,145)	(23,320,720)
Profit for the Year	215,420,755	260,267,772


Ratna Shakya
Chief Finance Manager


Ranjan Lohar
Chief Executive Officer


Pratap Prasad Pradhan
PP Pradhan & Co.
Chartered Accountants



Notes to the Consolidated Accounts

1. NATURE OF OPERATIONS

BPC and subsidiaries' ('the Group') principal activities include the development of hydropower project, provide consulting services, hydraulic modelling, provide operation and maintenance services to hydropower plants. The consolidated financial statements of the BPC Group have been prepared in accordance with IFRS and Nepal Accounting Standard.

2. BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the parent company and all of its subsidiaries drawn up to Ashad 32 2067 (16 July 2010). Unrealised gains and losses on transactions between Group companies are eliminated. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group.

3. INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. All subsequent changes to the Group's share of interest in the equity of the associate are recognised in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are reported within 'Share of profit from equity accounted investments' in profit or loss. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

4. BUSINESS COMBINATIONS

Business combinations are accounted for using the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Amounts reported in the financial statements of subsidiaries, associates and jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

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
HES	Hydro Engineering Services (P) Limited
HPL	Himal Power Limited
IKN	Interkraft AS. Norway
IRD	Inland Revenue Department
JRP	Jhimruk Rehabilitation Project
JDMP	Jhimruk Downstream Mitigation Project
KHL	Khudi Hydropower Limited
LTPO	Large Tax Payers Office
NHL	Nyadi Hydropower Limited
NMFA	Norwegian Ministry of Foreign Affairs
MOWR	Ministry of Water Resources
NEA	Nepal Electricity Authority
NORAD	Norwegian Agency for Development Cooperation
NRs.	Nepalese rupees
PEEDA	People, Energy and Environment Development Association
PPA	Power Purchase Agreement
REEP	Rural Electrification and Expansion Project
REGDAN	Rural Electrification Global Development Alliance of Nepal
SEBON	Security Exchange Board of Nepal
SEL	Shangri-La Energy Limited
SLREC	South Lalitpur Rural Electric Co-operative Limited
UMN	United Mission to Nepal
USAID	United States Agency for International Development
WIP	Work in Progress
WRC	Water Resources Consult (P) Ltd.
WTC	Wilmington Trust Company, USA

This report covers data and activities for businesses that are both owned and operated during FY 2066/67. In some cases, events and activities in FY 2067/68 are included where they help to provide a complete picture of performance.



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