



BUTWAL POWER
COMPANY LIMITED

Annual Report 2014

A sunset over a river with a power line tower in the background. The sun is low on the horizon, casting a warm orange glow. The river flows through a landscape with trees and a power line tower in the distance.

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COMPANY PROFILE

Butwal Power Company (BPC) Limited is one of the leading companies in Nepal's power sector with generation and distribution as its core business areas, incorporated in 1965 as a private company and converted into public limited company in 1993, BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

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

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

BPC owns and operates Andhikhola (5.1 MW) and Jhimruk (12 MW) plants located in western Nepal. Currently, the 5.1 MW Andhikhola Plant is being upgraded to 9.4 MW and is in the final stages of construction. BPC owns majority stake in Khudi hydropower plant (4 MW). It is also developing two hydropower projects namely Nyadi and Kabeli A, with combined capacity of 68 MW, through separate SPVs.

CORPORATE INFORMATION

Name: Butwal Power Company Limited

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

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

Date converted into a public limited company:
17 February, 1993 (2049/11/06 BS)

Date privatised: 3 January, 2003 (2059/09/19 BS)

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

PAN /VAT Number: 500047963

Bankers: Himalayan Bank Ltd., Nepal Investment Bank Ltd.,
Sunrise Bank Ltd., NIC Asia Bank Ltd, Nepal Bangladesh Bank
Ltd. Standard Chartered Bank Ltd. Mega Bank Nepal Ltd.

Statutory Auditor: SR Pandey & Co, Chartered Accountants

Internal Auditor: Kuber & Co., Chartered Accountants

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

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

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

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

VISION, MISSION AND VALUES

VISION

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

MISSION

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

VALUES

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



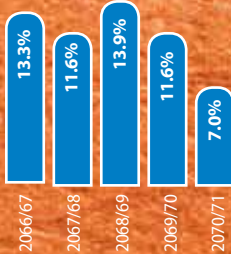
INTEGRATED MANAGEMENT SYSTEM POLICY

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

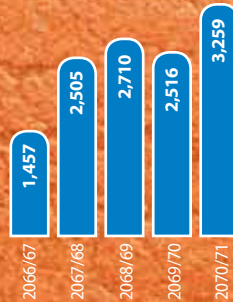
- Continual improvement of Integrated Management System and Business Processes
- Identification of occupational health and safety hazards and minimizing potential risks to prevent injury and ill health.
- Conservation and optimization in use of key resources, minimizing impact on environment and prevention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

FINANCIAL HIGHLIGHTS

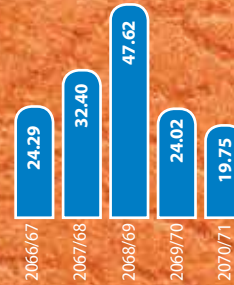
RETURN ON ASSETS



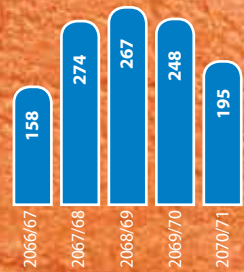
NET WORTH (In NPR Million)



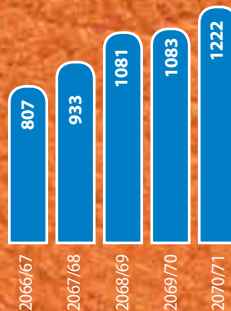
EARNING PER SHARE (In NPR)



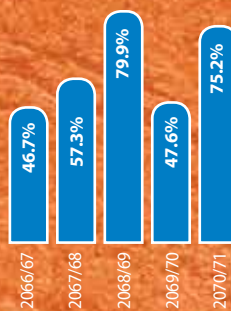
BOOK VALUE PER SHARE (In NPR)



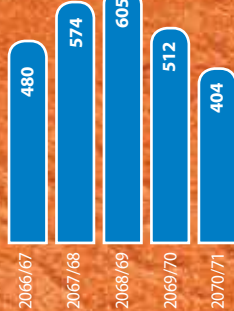
INVESTMENT (In NPR Million)



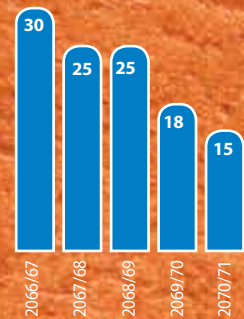
NET PROFIT MARGIN



REVENUE (In NPR Million)



DIVIDEND PER SHARE (In NPR)



HIGHLIGHTS OF THE YEAR

- Contribution of 2% to the total domestic hydro generation in the country
- Supplied electricity to 44,942 consumers in the country, i.e. 1.7% of total national consumers connected to INPS
- Issued Share Capital increased by issuance of 3:2 Right Share
- Loan Agreement concluded for Kabeli-A 37.6 MW project
- PPA for Andhikhola and Jhimruk Signed for 30 years period

BOARD OF DIRECTORS



From left to right

Mr. Rajib Rajbhandari, Director

Mr. Padma Jyoti, Chairman

Mr. Ratna Sansar Shrestha, FCA, Director

Mr. Pradeep Kumar Shrestha, Director

Mr. Shyam Kishor Yadav, Director

Mr. Om Prakash Shrestha, Alternate Director

Mr. Bijaya Krishna Shrestha, Director

Mr. Chandhi Prasad Shrestha, Director

Mr. Divakar Vaidya, Independent Director

Mr. Bijay Bahadur Shrestha, Alternate Director

Mr. Sanjib Rajbhandari, Alternate Director



CHAIRMAN'S MESSAGE

The immense impact that hydropower development can have on our economy is a well-known fact. The markets, both internal and external, are well developed and there exist opportunities for private investors for developing projects to meet the ever-increasing demand for reliable electricity supply within Nepal, as well as for exports to India. However, despite all the deliberations and planning at various levels the actual execution of even the most attractive projects have not progressed as they should, primarily due to a lack of key decisions at various authority levels. The business environment prevailing in our economy has not matured yet and poses hurdles for able and willing developers and investors. All that is required is a little facilitation from the state to resolve key issues pertaining to the sector in a coordinated manner.

Due to limited domestic financial capability, the ability to attract and retain foreign direct investments is crucial for harnessing the hydropower potential that our geography presents. The key is to implement clear and coordinated policies on such investments, implementation of one window system, resolving issues related to repatriation of earnings, mitigating currency risks, etc. At the same time, expediting projects related to augmentation of transmission network, which currently lags the project development plans, is vital for power evacuation and delivery of power within as well as outside of Nepal.

The sector seems to have picked up some momentum with the signing of the Power Trade Agreement (PTA) between Nepal and India after the visit of The Indian Prime Minister Mr. Narendra Modi to Nepal in August 2014. The subsequent

Project Development Agreements (PDA) on two 900 MW projects- Upper Karnali and Arun III are positive signs for brighter prospects in the sector.

Further, the World Bank Group's commitment of major investment of USD 6 billion in infrastructure and energy sector is a very encouraging sign for developers like us who face limited financing alternatives offered by the BFIs of Nepal. To that effect, we have already signed loan agreements with both IDA and IFC recently for financing our 37.6 MW Kabeli A project, whose full-fledged construction is expected to start in early 2015.

BPC has been going through a transition lately as it is operating under limited generation capacity, with Andhikhola plant under upgrading works, and also with some changes to the top management of the company. However, with the implementation of the right issue of shares and successful renewal of PPA for Andhikhola and Jhimruk for a period of next thirty years, along with some positives on the near horizon like successful completion of 9.4 MW Andhikhola Plant upgrading by the beginning of 2015, start of construction of Kabeli A and Nyadi projects in 2015, I firmly believe that the company is headed in the right direction of financial stability and growth. Also, with the team of highly experienced and capable professionals here at BPC, we will continue the sound operation of the assets, strive for growth by building new projects and assure healthy long term financial returns to our shareholders.

With the able management of Team BPC and the continued support of our valued shareholders and all stakeholders, we are confident of the future prospects of the company and its sustainable growth.

Padma Jyoti
Chairman



“The World Bank Group’s commitment of major investment of USD 6 billion in infrastructure and energy sector is a very encouraging sign for developers like us who face limited financing alternatives offered by the BFIs of Nepal.”



REPORT FROM BOARD OF DIRECTORS

Dear Shareholders,

In this august 22nd annual general meeting, the Board has pleasure in presenting the annual report of the Company for F/Y 2070/071 to the esteemed shareholders. The overall performance and status of the Company is satisfactory despite different difficulties.

The extension of PPA term of operating power plants has been agreed with NEA for 30 years. The Andhikhola Upgrading Project is in the verge of completion. The financial closure of 37.6 MW Kabeli-A Hydroelectric Project has been completed. Other projects in pipeline are also progressing slowly. The Company has appointed new CEO to strengthen the management.

Financial Performance

The Company posted a turnover of NPR 404.1 million during the fiscal year, registering a decrease of 21.1% than the previous fiscal year. The main reason of decline in the turnover is mainly shutdown of Andhikhola Power Plant for upgrading. However, the company is able to increase net profit by 24.6% compared to previous year from NPR 243.9 million to NPR 303.8 million. This increase is mainly attributed to the increase in dividend income by 63.05% from previous NPR 241.4 million to NPR 393.6 million this year. The financial highlight of the Company is briefly summarized below.

Business Operations

GENERATION BUSINESS

A total of 70.76 GWh was generated from Jhimruk Power Plant during the FY 2070-71 with an average annual plant factor of 67.13%. The Andhikhola Power Plant was under shutdown for upgrading works for the entire year, which caused a reduction in total generation as compared to last fiscal year. Further, 33.55 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during plant outages and meet the construction power. Out of the total energy available, 69.5% was supplied to NEA,

FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

PARTICULARS	FY 2070-71	FY 2069-70	% Change
Income from the bulk sale of electricity	289.3	409.0	-29.3
Income from the retail sale of electricity and services	114.8	103.1	11.3
Total operating income	404.1	512.1	-21.1
Operating expenses	324.6	311.2	4.3
Gross operating profit	79.5	201.0	-60.4
Other income including dividend received	455.5	296.2	53.8
Administrative and other expenses	243.8	227.3	7.2
Net profit	303.8	243.9	24.6
Earnings per share (in NPR)	19.7	24.0	-17.8
Net worth	3,259	2,516	29.53

28.6% was utilized to cater to the local demand through distribution network of the Company, and remaining accounted for the self-consumption, system losses, and construction works.

Andhikhola plant was shut down for upgrading works from 6th Mangsir 2069 onwards. A total of 31.14 GWh of energy was purchased from NEA to maintain continuity of supply in distribution areas and for construction and self-consumption purposes during the shut-down. Out of total energy purchased from NEA, 6.26 GWh was sold to NEA, 24.66 GWh was supplied for the distribution to the consumers of the Company and 0.11 GWh was consumed in construction works of the project.

Jhimruk plant generated 70.76 GWh with plant factor of 67.13 %, an increase of 3.80 % (2.6 GWh) over the last year. Out of total available energy, 66.25 GWh (90.53%) was supplied to NEA and 5.14 GWh (7.03%) was supplied for distribution to the consumers of the Company.

The high silt content in Jhimruk River during monsoon season remained the major factor for severe erosion of turbine parts of Jhimruk plant. Overhauling of all turbine parts was carried out. The preventive maintenance was carried out as per the schedule. Testing and calibration of measuring instruments, relays, generators, transformer, overhead crane and chain block was carried out. Various mitigation works were carried out to optimize the use of water for irrigation and to increase the generation. River training works to protect the project area and farmers' land was also carried out.

The Power Purchase Agreement with NEA, which was expired at the end of FY 2069-70 for sale of energy from operating plants, has been renewed for a period of 30 years. The new PPA rate for Andhikhola is NPR 4.48 per unit and for Jhimruk NPR 4.76 per unit for F/Y 2070/071 and NRS 5.23 per unit for remaining period.

DISTRIBUTION BUSINESS

The local distribution network spread across Syangja, Palpa, Pyuthan and Arghakhanchi.

The network continued to grow, registering an addition of 2299 domestic and 57 industrial consumers in the FY 2070-71. Total number of consumers as on end FY 2070-71 stood at 44,942. A total of 29.8 GWh was purchased to cater the growing demand, an increment of 25% compared to the previous year. Out of the total energy purchased, 24.1 GWh was sold to retail customers, 5.63 GWh and 0.06 GWh are accounted for distribution losses and internal consumption respectively. There was an increase of 23% in total energy sale compared to previous year.

Out of 24.1 GWh sold to retail customers, 20.71 GWh (86.0%) was sold to domestic metered consumers, 0.68 GWh (2.8%) to unmetered consumers, and 2.71 GWh (11.2%) to industrial consumers.¹ Compared to previous year's energy sales mix, there has been a marked increase in sale of energy to metered consumers and reduction in energy sale to cutout customers. As an ongoing effort to reduce revenue loss, additional 381 cut-out customers were converted into metered customers.

“THE COMPANY IS ABLE TO INCREASE NET PROFIT BY 24.6% COMPARED TO PREVIOUS YEAR FROM NPR 243.9 MILLION TO NPR 303.8 MILLION. THIS INCREASE IS MAINLY ATTRIBUTED TO THE INCREASE IN DIVIDEND INCOME BY 63.05% FROM PREVIOUS NPR 241.4 MILLION TO NPR 393.6 MILLION THIS YEAR.”

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

Company's Associates and Operating Subsidiaries

Himal Power Limited (HPL) owns and operates the 60 MW Khimti Hydropower Projects, which began commercial operation on July 5, 2000. It registered a net profit of NPR 2.76 billion during the FY 2070-71. BPC received NPR 393.6 million as dividend during FY 2070-71 from HPL. The net worth of HPL as on July 16, 2014 was NPR 4.45 billion.

Hydro-Consult Engineering Ltd. (HCE) is an engineering consulting company, specializing in hydropower, irrigation and infrastructure projects and providing Environment & Social Impact Assessment study services, continued to grow steadily during the year. In FY 2070-71, the company posted revenue of NPR 82.2 million from consultancy services. The total revenue increased by 38% compared to the corresponding figure of previous year. The net profit after tax is reported at NPR 11.6 million. The shareholders' fund and net worth of the company has risen to NPR 46.6 million from NPR 35.1 million, registering an increment of 33%.

Nepal Hydro & Electric Ltd. (NHE), established in 1985, manufactures and refurbishes hydro-mechanical equipment and is the leader in repairs of electromechanical equipment in Nepal. The other product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges. The company recorded a turnover of NPR 405.7 million and registered a net loss of NPR 22.7 million in the FY 2070-71. The net worth of NHE as of July 16, 2014 is NPR 221.1 million.

Khudi Hydropower Ltd. (KHL) owns and operates the 4MW hydropower plant, which began its commercial operation in FY 2063-64.

Khudi Hydropower Plant supplied 22.51 GWh to the national grid in the FY 2070-71. Total revenue of NPR 96.3 million has been generated during the fiscal year. This is the highest ever recorded revenue generation since its operation, which is 0.15% increase over the previous year. It earned a net profit after tax of NPR 17.0 million in the FY 2070-71, an increase of 73.9% compared to

previous year. The financial situation of KHL is gradually improving.

Hydro Lab Pvt. Ltd. (HLPL) was established in 1998 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratory at HLPL are equipped with state of the art equipment and the company has accumulated extensive experience in hydraulic river model studies including hydraulic structures and sediment analysis. HLPL's turnover was NPR 26 million in the FY 2070-71 and it recorded a net profit of NPR 10.6 million. The net worth of HLPL at the year-end was NPR 75.3 million.

BPC Services Ltd. (BPCSL), a wholly owned subsidiary of BPC established in 2006, is the only company providing Operation and Maintenance Management services of power plant, distribution and transmission system in Nepal. BPCSL is also providing competent technical expertise to the companies involved in hydropower development. BPCSL's total income before depreciation, interest expenses and provisions was NPR 1.1 million in the FY 2070-71. The net worth of BPCSL as on July 16, 2014 stands at NPR 9.2 million.

Projects/Joint Venture Companies

Andhikhola Upgrading Project is the new version of the Andhikhola plant, which is fully owned and operated by the Company since last 23 years, being upgraded from 5.1 MW to 9.4 MW. The commissioning of the upgraded plant has been delayed due to unforeseen circumstances on account of certain technical conditions and consequences have led to some increment in the project cost. Now, the upgrading work is nearing completion and the commencement of commercial operation for the upgraded plant is expected within January 2015. With the commissioning of the project, additional 26 GWh will be added to the national grid annually. NPR 1160 million has been spent in the project till the end of FY 2070-71.

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

The generated power will be evacuated through Kabeli Corridor 80km long 132kV transmission line from the switchyard located at Power house to the substation at Damak. The Kabeli Corridor transmission line is separately funded by the World Bank and is being implemented by NEA. As one of the key projects Kabeli-A opens up eastern part of Nepal to the national power grid. The total capitalized cost of the project will be around US\$ 100 million. BPC will have 54% investment in shares in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

In the debt part, US\$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB has already been signed and US\$ 40 million loan available from WB will be channelized to Kabeli-A project through HIDCL. KEL signed the Loan Agreement of US\$ 38.6 Million with International Finance Corporation (IFC) on July 15, 2014 in Kathmandu. PDA includes agreed PPA and the execution of PPA is expected to happen by the end of December 2014. The legal issue raised by CIAA in regards to Generation License of the Project is under active consideration of GoN, which is expected to sort-out shortly in the interest of the Project.

BPC has already invested around US\$ 5 million in KEL. Letter of Intent (LOI) to the Civil and Hydro-mechanical contract has already been given and final negotiation is undergoing with Electro-mechanical bidders. The construction of the project will commence in first quarter of 2015 and the project is expected to be commissioned by 2018.

Nyadi Hydropower Limited (NHL), a SPV of BPC as majority shareholder has been incorporated

to build, own and operate 30 MW Nyadi Hydropower Project. The project has received generation license for 35 years on 2069/11/03. The motorable track up to powerhouse site and bridge over Marshyangdi River have already been constructed by the project and are under operation. NEA is preparing PPA Guidelines for the projects more than 25 MW to 100 MW, which is expected to come shortly. Accordingly, the PPA of the Project will be concluded at earliest.

The total cost of the project including financing costs and IDC is estimated to be about US\$ 57 million. BPC has already invested US\$ 4 million in the project. The term sheet of the loan agreement for the debt financing is under discussion with the local banks. Subsequent to execution of PPA, the loan agreement will be negotiated and finalized expeditiously.

Lower Manang Marsyangdi Hydropower Project (LMMHP) is located in the southern part of Manang district of the western development region. The feasibility study and the geotechnical investigation of the project have been completed. The feasibility, EIA and designs have been reviewed by international consultants. The detail design of the project is at advanced stage of completion. EIA Report has been approved by the Ministry of Environment on 2070/12/07. An application has been submitted to the Ministry of Energy for obtaining the Generation License of the project. The power generated from the

“ANDHIKHOLA UPGRADING PROJECT IS THE NEW VERSION OF THE ANDHIKHOLA PLANT, WHICH IS FULLY OWNED AND OPERATED BY THE COMPANY SINCE LAST 23 YEARS, BEING UPGRADED FROM 5.1 MW TO 9.4 MW.”



project will be evacuated via the proposed Marshyangdi Corridor 220 kV transmission line to be developed by NEA. The project capacity has been re-optimized at 40 percentile flow and fixed at 101 MW to meet the NEA guideline for the PPA. Accordingly, an application for PPA along with the required documents has been submitted to NEA on 2070/09/12. Around US\$ 2 million has been invested in the project.

Gurans Energy Limited, a joint venture company with InfraCo Asia, has been established for the purpose of acquisition, development, financing, construction, ownership and operation of hydroelectric power projects and other infrastructure projects in Nepal. Infraco Asia holds the majority shares in the company with 60%, whereas BPC holds 40%.

Board of Directors

There were some changes in the Board. The 21st AGM appointed Mr. Chandi Prasad Shrestha as Director representing the general public shareholders and Mr. Divakar Vaidya as Independent Director for the tenure of four years effective from Feb. 23, 2014. On September 16, 2014, the Ministry of Energy nominated Mr. Shyam Kishor Yadav replacing Mr. Nabin Raj Singh as its representative, who had been nominated in the replacement of Mr. Anup Kumar Upadhyay on December 10, 2013. Similarly, Shangri-La Energy Limited nominated Mr. Rajib Rajbhandari

as Director in place of Mr. Bijay Bahadur Shrestha and nominated Mr. Shrestha as Alt. Director on May 04, 2014. Mr. Hari Budhathoki has been working as Company Secretary of the Company.

Board Committees

The Board had formed five different committees including the Audit Committee required by the Company Act, 2063. All committee performed well and actively by helping the Board to discharge it duties and responsibilities.

- Substantial inputs have been provided by the Audit Committee in the internal control and financial governance of the Company.
- The Budget Committee helped the Board by scrutinizing and controlling the budgets of the Company.
- The Finance Committee played important role in financial management of the Company.
- The HR Committee played important role to select the suitable candidates of CEO and VP-Corporate.
- The Project Steering Committee closely and effectively monitored the progress of construction works of Andhikhola Upgrading Project.

The Board streamlined and restructured the committees on Jestha 25, 2071 by dissolving HR Committee and merging the Budget Committee



with Finance Committee. The committees currently maintained are Audit Committee, Budget & Finance Committee and Project Steering Committee. The Project Steering Committee will also be dissolved automatically after commercial operation of the Andhikhola Upgrading Project. The details of committees and their members are disclosed in the Corporate Governance Report.

Corporate Governance

The Company has implemented Corporate Value Framework which includes vision, mission, core values, business principles and policies, code of corporate governance, code of conduct and ethics; and guidelines. This framework applies to everyone in the company, from employees to members of the board of directors. The fundamentals of this framework is to strive to exercise the highest standards of ethics and conduct in our personal and business relations with ensuring compliance to legal framework, fairness, integrity, honesty and environmental impacts and the interests of the stakeholders. Corporate Governance Report has been disclosed in the Annual Report of the Company separately.

Management

There were few changes in the management. Subsequent to expiry of tenure of Mr. Ranjan Lohar, the then CEO, on September 16, 2013, Mr. Pratik Man Singh Pradhan, VP-P&BD, was

designated as Officiating CEO of the Company for the period until the new CEO is appointed. Mr. Uttar Kumar Shrestha, a person having long experience in energy sector in Nepal, has been appointed as CEO of the Company effective from May 15, 2014. We believe that with the fulfillment of vacancy of the top executives, the management is expected to deliver best results in the Company.

Human Resource

There were 275 employees, 246 male and 29 female, at the end of the FY 2070-71. The cadre-wise employee status is as under:

CADRE	NO. OF STAFF	MALE	FEMALE
Management	26	23	3
Officer	47	45	2
Sr. Assistant	79	73	6
Assistant	123	105	18
Total	275	246	29

The Company faced an employee turnover of about 7%.

Good relationship between management and employees has been maintained as a result of CBA agreement with employees union concluded last year. Trainings were imparted for

capacity building and professional growth of the employees as well as to meet future requirement of the Company.

Health, Safety and Environment (HSE)

BPC has been certified with ISO 9001: 2008 (Quality) and ISO 14001: 2004 (Environment) Management Systems. BPC has also been certified for ISO 18001:2007 last year for Occupational Health, Safety and Security management system. We believe that OHSAS will enable the organization to manage occupational health, safety and security issues as an integrated part of its overall business operations, system and procedures. It will also increase health, safety and security consciousness and efficiency in the company and enhance corporate value. Regular internal and external audits on management systems were carried out. No serious injuries have been reported during the year. The company has carried out its business activities in an environmental friendly manner. BPC celebrated the World Environment Day, 2014 in association with the locals for enhancing awareness on environment.

Company's Industrial Associations and External Relations

BPC is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and Independent Power Producers' Association, Nepal (IPPAN), Confederation of Nepalese Industries (CNI), International Center for Hydropower (ICH) Norway, and Tunneling Association of Nepal. BPC is also associated with international agencies such as IFC, World Bank, Ministry of Foreign Affairs (Norway), InfraCo Asia, etc. at different levels in development of projects.

Risk Management

The risk management is an integral part of our business operations. Enterprise Risk Management System has been implemented through identification, assessment, planning and mitigation of the risks across the company. The Risk Management Committee has been monitoring of the risks associated with the activities being carried out by the different

business units across the Company. The assets of the Company including the Power Plant are fully insured with reliable insurance company. The insurance claim lodged with the insurance company for property loss on Jhimruk fire incident has been received and settled. However, the compensation claim lodged with GoN for revenue loss and employee's personal property loss is still in progress.

Internal Control

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. The internal audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee are implemented effectively. M/s Kuber and Company, the Chartered Accountants, performed the internal audit of the Company in F/Y 2070/071.

Statutory Audit

M/s S.R. Pandey & Co., Chartered Accountants, audited the books and accounts of the Company for F/Y 2070/071 for the second year in row. The auditor has issued an unqualified report on financial statement of the Company.

Shareholders' Suggestions and Communication

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

Transactions with Subsidiaries

BPC conducts transactions with subsidiaries at arm's length, as per the best industry practices.

All major transactions, which BPC undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2070-71.

Business Environment and Investment Climate

The Fiscal Budget of GoN for the fiscal year 2071/72 has prioritized on the investments in energy sector. The Government has planned to end load shedding in the next three years and has equally given priority for the construction of transnational and other transmission lines. GoN has given high incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned till chaitra 2080. In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned by 2080. The recent Power Trade Agreement (PTA) with India and Project Development (PDA) of Upper Karnali and Arun III Projects have opened new avenues for foreign investment in hydro-electricity and infrastructure projects in Nepal and also aims to facilitate cooperation in the fields of power generation, grid connectivity, energy efficiency, renewable energy, and power related consulting and research services. After PTA and PDA, the overall environment of hydropower development through foreign direct investment has been improved. It is expected that the new constitution will be promulgated shortly, which will also provide a conducive environment to the developers with peace and security in the country. Further, the expected promulgation of new Electricity Act and Electricity Regulatory Commission Act, which are under the priority of the government, will help the hydropower sector grow further.

Dividend

The Board is aware of the investment requirements for the projects under development and also for other projects which the company is planning to develop. The investments will contribute to creation of wealth for shareholders

in the long term. Considering the dividend policy adopted and profitability of the company the Board has recommended cash dividend of 15% of the paid up capital from the profit of FY 2070-71.

The Year Ahead

This new year is going to be very promising with numbers of successful milestones. Andhikhola plant will resume its operation at an upgraded capacity of 9.4 MW. The extension of Power Purchase Agreement (PPA) for Andhikhola and Jhimruk plants, which term was expired in Ashadh end 2070, is being signed for a period of next 30 years. As the financial closure for Kabeli A HEP has been concluded with WB/IDA and IFC for debt financing, the PPA will be concluded shortly with NEA and the construction of the Project will start soon. PPA and financial closure of Nyadi Project will be completed and prepared for implementation. The Generation License of Lower Manang Marshyandgi Hydropower Project will be obtained and the process of PPA will be accelerated. The construction of head office building phase II will be completed.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of Foreign Affairs-Norway, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the FY 2070-71.

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

Thanking you.

On behalf of the Board of directors

Padma Jyoti

Chairman

Date: 11 January 2015

CEOS' PERSPECTIVE

With changes at the top management, and some ups and downs along the way, it would be safe to say that FY 2070-71 has been a year of transition. However, given the circumstances, I believe that Team BPC performed admirably and was able to deliver satisfactory results through assets operated directly and as well as through its subsidiary and associate companies. We were able to record an annual turnover of NPR 404.1 million through our generation and distribution business units, while achieving a net profit of NPR 303.8 million.

Despite long delays, the successful renewal of the PPA for Andhikhola and Jhimruk Plants for the next 30 years has been a key milestone, which would go a long way in easing the cashflow crunch that we have had to face the whole year. The delay in completion of the Andhikhola Upgrading Project due to technical issues of geological nature and flooding has resulted in the decrease of the company's operating income compared to previous years. However, on account of increased dividend income from Himal Power Ltd., the net profit has seen a boost of 24.6% compared to last year. The upgraded Andhikhola Plant (9.4 MW) is expected to be brought into commercial operation by the early 2015, and this will have a very positive impact on the company's financials for many years to come.

Consistency has always been our strength, and this year too, we were able to excel in our core business areas i.e. generation and distribution of electricity. During the FY 2070-71, the Jhimruk Plant (12 MW) was able to achieve the highest generation of 70.8 GWh till date, while successfully keeping the system losses at a nominal level. Similarly, distribution business also witnessed another significant growth with energy sale increasing by as much as 23% compared to previous year. 2299 new customers were added to the distribution network this year, making the total customer count to 44,942 at the year-end.

While we take pride in our distribution business which caters primarily to the rural households, its steady growth poses us with a financial challenge due to the lack of appropriate tariff structure. The rate at which BPC sells energy to customers is much lower than the national average, which raises questions on its financial viability. We have already lodged the application to the Electricity Tariff Fixation Commission for revision on our tariff

structure, and a favorable decision on the matter holds the key to a sustainable distribution business.

The projects like Kabeli A, Nyadi and Lower Manang Marshyangdi are under different stages of development and are gradually being prepared for successful execution despite numerous hurdles presented by the prevailing business environment. Kabeli A has secured its financial closure by signing the loan agreements with IFC on 23rd July 2014, with the World Bank on 24th November 2014, and we have issued Letter of Intent (LOI) for construction to the contractor. We can expect the Kabeli A project to commence full-fledged construction by early 2015. The government implementation of flat posted rate tariff for projects upto 100 MW has opened the doors for PPA negotiation for our 30 MW Nyadi Project. The construction of Nyadi project is also expected to begin in 2015. Though the 140 MW Lower Manang Marshyangdi project has been well prepared technically, the power sale and financing for this project has been a challenging task. Hence, the project capacity has been optimized for negotiating a favorable PPA with NEA and achieve the generation license in the upcoming year. The project is in the pipeline for implementation after the construction start-up of Kabeli-A and Nyadi project.

The improving performance of Khudi Hydropower Ltd. is another positive that we can take forward from this year and aspire to consistently achieve and excel on the same. The company was able to generate the maximum revenue since its commercial operation and achieve a net profit of NPR 17.03 million. Hydro Consult Engineering Ltd., the subsidiary company handling the engineering and consultancy business, has continued to build on its business and improve their performance from previous years. The company has been able



to secure some contracts in the international market as well, which is bound to open up new opportunities and propel the company forward with enhanced technical capabilities. HCE reported a net profit of NPR 9.6 million during the FY 2070-71. Nepal Hydro & Electric Limited (NHE) has incurred some loss during the fiscal year, mainly due to delays in billing works of projects whose overall progress have been frequently interrupted under different circumstances beyond our control. However, NHE has also secured some key contracts which will have a positive impact on the company's financials in coming years.

The strength of our human resource holds the key to setting solid foundation on which we can continue to excel and drive our projects forward. Hence, we are dedicated to fostering a cordial employee relations and providing a supportive and healthy working environment for our staff. We believe in continual improvement and continue to be certified with international standards on quality, environment and occupational health and safety. We have also identified the need to review and update our strategic plan going forward, in response to the changing business environment, so that we continue to be a competitive force in the market and strive towards our vision of becoming the leading enterprise in the sector.

When we look at the overall business environment, despite the never ending political conflict, good things have happened lately in the energy sector of Nepal. The recent visit of Indian Prime Minister and the subsequent finalization of the Power Trade Agreement (PTA) between the two governments, along with two Project Development Agreements (PDAs) concluded on Upper Karnali and Arun III projects provide a major boost to the underperforming hydropower industry. The industry is buzzing with positive vibes and high expectation of the long over-due progress on the project development front which is bound to enrich the overall economy of Nepal.

We have had to face some delays along the way, but there have been good outcomes to take forward and build on from. Despite the given circumstances, Team BPC was able to churn out a satisfactory result and with the recent changes in the top management of the company, along with the experienced team we already have here; I sincerely believe that the company is heading on the right path of sustainable prosperity. I am positive that Team BPC will keep working diligently with utmost sincerity and commitment to achieve better results for all stakeholder of the company.

Uttar Kumar Shrestha
Chief Executive Officer



“ HEADWORKS OF
ANDHIKHOLA PROJECT,
WHICH IS BEING
UPGRADED FROM 5.1 MW
TO 9.4 MW AND WILL
COME INTO OPERATION IN
EARLY 2015. ”



CORPORATE GOVERNANCE

The corporate governance has been maintained in the company in line with the Corporate Value Framework adopted by the Board on December 6, 2010. The framework specifies core values, business principles, code of corporate governance, code of conducts and ethics. The framework is based on the best corporate principles of corporate governance, existing legal requirements and the Memorandum and Articles of Association of the Company.

The company has thrived to maintain the highest level of transparency, accountability and equity in its operations and in all interactions with its shareholders and other stakeholders as well as the government and other regulatory bodies. All focus and efforts of the company are dedicated and committed to promote the enterprise values and safeguarding trust of its shareholders being honest and transparent in business practices as responsible corporate citizen of the country.

Shares and Shareholders' Relation

SHARE OWNERSHIP STRUCTURE

The share ownership structure of the Company remained unchanged in F/Y 2070/071.

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

SHAREHOLDERS' MEETING AND COMMUNICATION

The 21st annual general meeting of shareholders was held on February 23, 2014 with delay by few days than the anticipated date owing to delay

in regulatory approval for issuing right shares. A total of 131 shareholders representing 88.49% shares attended the general meeting and nine shareholders actively participated in the discussion. With appreciation for distributing the right shares and cash dividend, the suggestions offered by the shareholders were mainly to further the operational excellence, disclosure of the progress achieved in the projects and subsidiaries, and expansion of the business of the company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analysed and implemented on merits in the business interest of the company.

The shareholders were communicated of the notice of 21st annual general meeting and annual report of the company through newspaper and book post, which were uploaded in the website of the company for ready information to the shareholders. Further, the minutes of meeting of the general meeting were published in the newspaper for information to the shareholders. The quarterly financial reports of the company were published in the newspaper for information to the shareholders. The notice, report and other information communicated to the shareholders through different means were uploaded in the web page of the company for their ready reference.

The company encourages and welcomes suggestions from shareholders.



21st Annual general meeting of BPC

SHARE REGISTRAR

The service agreement with NMB Capital was ended on end of the Ashadh 2071 after extension. A fresh process was initiated to appoint Share Registrar of the Company and proposals were invited from the licensed companies to carry out the functions of Share Registrar. Based on the competitiveness, reliability and service offering, NMB Capital Ltd. was appointed as Share Registrar of the Company again for a term of three years starting Shrawan 1, 2071

DIVIDEND DISTRIBUTION

The 21st Annual General Meeting had approved for distribution of 18% cash dividend from the net profit of F/Y 2069/070. The approval of the Ministry of Finance for distribution of dividend to the shareholders excluding UMN was received on Chaitra 07, 2070 pursuant to the Section 182 (2) of the Company Act, 2063; and accordingly, the distribution of dividend was started on Chaitra

10, 2070 for Group A and B shareholders. The Group C shareholders were notified in advance on Chaitra 10, 2070 through public notice published in Abhyan newspaper requesting them to collect their dividend of the F/Y 2069/070. The shareholders, who have not collected their dividend of previous years, were also requested to collect their uncollected dividend. The dividend was distributed to the shareholders under Group A and Group B from head office of the Company and to the shareholders under Group C through Share Registrar, NMB Capital Limited.

Board of Directors and Board Committees

BOARD COMPOSITION

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

BOARD COMPOSITION

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

Note:

- Mr. Anup Kumar Upadhyay represented GoN as Director from July 25, 2013 to December 9, 2013. GoN nominated Mr. Nabin Raj Singh in place of Mr. Anup Kumar Upadhyay from December 10, 2013. Mr. Nabin Raj Singh represented GoN as Director from December 10, 2013 to September 15, 2014. GoN nominated Mr. Shyam Kishor Yadav in place of Mr. Nabin Raj Singh from September 16, 2014.
- Mr. Chandi Prasad Shrestha and Mr. Divakar Vaidya were appointed in the 21st AGM for the tenure of four years.
- Mr. Bijaya Bahadur Shrestha represented SEL as Director from September 8, 2011 to May 3, 2014, SEL with re-nomination as Alt. Director from May 4, 2014 and Mr. Rajib Rajbhandari who representing SEL as Alt. Director nominated as Director in place of Mr. Bijaya Bahadur Shrestha from May 4, 2014.

BOARD OF DIRECTORS

The Board is the apex body of the company management with supervisory and facilitative role for the better performance of the company, its future plans, major business strategies, risk management and other pertinent policy issues. The Board has discharged its duty effectively.

BOARD MEETINGS

The Board had adopted an annual meeting calendar on Bhadra 9, 2070 for F/Y 2070/071. A total of eighteen meetings were held during the year. The Directors were communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 30 days and the shortest was 5 days. The attendance for the Board meetings was as follows:

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	18	
Mr. Pradeep Kumar Shrestha	Director	13	
Mr. Bijaya Krishna Shrestha	Director	15	
Mr. Bijay Bahadur Shrestha	Director	12	Alt. Director from May 4, 2014
Mr. Ratna Sansar Shrestha, FCA	Director	16	
Mr. Anup Kumar Upadhyay	Director	3	Till Dec. 10, 2013
Mr. Nabin Raj Singh	Director	10	Till Sep. 15, 2014
Mr. Chandhi Prasad Shrestha	Director	14	
Mr. Divakar Vaidya	Director	7	
Mr. Rajib Rajbhandari	Director	5	From May 4, 2014
Mr. Sanjib Rajbhandari	Alt. Director	5	
Mr. Om Prakash Shrestha	Alt. Director	2	
Mr. Hari Bahadur Budhathoki	Company Secretary	18	

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

FEES AND ALLOWANCES OF DIRECTORS

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

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

Board Committees**AUDIT COMMITTEE**

The Audit Committee was set up on November 29, 2005 (Mangsir 14, 2062) comprising of Mr. Ratna Sansar Shrestha, FCA as Chairman, Mr. Pradeep Kumar Shrestha and Mr. Bijay Bahadur Shrestha as Member. The Audit Committee has been restructured on June 8, 2014 as under:

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

Company Secretary acts as secretary of the Audit Committee and CEO and functional heads are permanent invitee in its meeting.

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

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

The Audit Committee had three meetings in this fiscal year.

BUDGET & FINANCE COMMITTEE

The Budget Committee and Finance Committee, which were formed separately on March 20, 2006 (7th Chaitra 2064) and September 21, 2012 (Aswin 5, 2069) respectively, have been merged with the name “Budget & Finance Committee” on June 8, 2014 (Jestha 25, 2071). The committee consists of three members as follows:

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

CEO, Vice Presidents and Chief Manager Finance attend the Budget & Finance Committee meetings. Head of Finance acts as Secretary of the Committee.

The functions of Budget & Finance committee are:

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

During the reporting period, nine meetings were held comprising 2 Budget Committee meetings and 7 Finance Committee meetings.

PROJECT STEERING COMMITTEE

The Project Steering Committee was set up on September 21, 2012 (Aswin 5, 2069) to monitor and provide necessary guidance and support in executing Andhikhola Upgrading Project within the budget and time schedule. This committee was restructured on June 8, 2014 (Jestha 25, 2071) comprising Mr. Om Prakash Shrestha as convenor, Mr. Nabin Raj Singh and Mr. Uttar Kumar Shrestha are as members of the Committee. Project

Manager of Andhikhola Upgrading Project acts as secretary of the Project Steering Committee. Mr. Nabin Raj Singh remained member of this committee till September 15, 2014.

The responsibility and authority of Project Steering Committee are as under:

- To be responsible to the Board for delivery of Andhikhola Upgrading Project within Budget and schedule, adhering to the quality standards
- To monitor the progress of the project periodically
- To provide counsel to the Project Manager on critical issues
- To accomplish, through the Project Manager, the execution of the project within the approved budget and schedule without compromise on quality
- Report to the Board on major deviations effecting the project budget and schedule

The Project Steering Committee had 24 meetings in this fiscal year.

HR COMMITTEE

The HR Committee was set up on April 27, 2012 (Baishakh 15, 2069) and reconstituted on March 17, 2013 (Chaitra 4, 2069) to streamline the HR management in the company and to review the roles and responsibilities of the top management of the Company. The HR Committee undertook the process of selection of CEO and VP-Corporate and made recommendation to the Board. This committee was dissolved by the Board on June 8, 2014.

TRANSPARENCY AND DISCLOSURES

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

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

Reporting to Regulators

The statutory reports in line with the reporting requirements prescribed by the prevalent laws and regulations have been submitted to the Securities Board of Nepal, Nepal Stock Exchange Limited,

the Company Registrar's Office, the Large Tax Payers' Office and the Department of Electricity Development timely by the Company.

Risk Management

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

A Risk Management Committee comprising all VPs and SBU Heads under the chair of CEO is coordinating and monitoring the risk management activities for effective risk management in the Company.

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

Internal Control and Accountability

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

The company's internal audit functions are being carried out through independent professional

auditors to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit Committee and are discussed with management for corrective and improvement measures.

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

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

Management

Business operations and management of the company is managed by the management team under the leadership of CEO Mr. Uttar Kumar Shrestha, who is appointed by the Board on May 15, 2014. Before that, Mr. Pratik Man Singh Pradhan, Vice President of Business Development and Projects has served as an Officiating CEO since September 17, 2013 after expiry of contract of CEO Mr. Ranjan Lohar.

The management performed satisfactorily during the FY 2070/71 as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors.

Shareholding of Board of Directors in BPC:

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	None
2	Mr. Pradeep Kumar Shrestha	Director	None
3	Mr. Rajib Rajbhandari	Director	68857
4.	Mr. Bijaya Krishna Shrestha	Director	202
5	Mr. Ratna Sansar Shrestha, FCA	Director	None
6	Mr. Shyam Kishor Yadav	Director	None
7	Mr. Chandi Prasad Shrestha	Director	293
8	Mr. Divakar Vaidya	Director	None
9	Mr. Bijay Bahadur Shrestha	Alt. Director	7462
10	Mr. Om Prakash Shrestha	Alt. Director	None
11	Mr. Sanjib Rajbhandari	Alt. Director	None

BPC's representation in its Subsidiaries and Associate Companies

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

COMPANY	BPC SHARE-HOLDING IN %	NAME	POSITION IN BOARD
BPC Services Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha Mr. Pratik Man Singh Pradhan	Chairman Director Director Alt. Director
Himal Power Limited	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Ltd.	80%	Mr. Uttar Kumar Shrestha Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha Mr. Ratna Sambhav Shakya	Chairman Director Director Alt. Director
Hydro Lab Pvt. Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Jumdi Hydropower Pvt. Ltd.	1.61%	Mr. Radheshyam Shrestha	Director
Kabeli Energy Ltd.	54%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Sanjib Rajbhandari Mr. Uttar Kumar Shrestha	Chairman Director Director Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Alt. Director
Nepal Hydro & Electric Ltd.	51.3%	Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha	Chairman Director
Nyadi Hydropower Limited	97.2%	Mr. Ganesh Lal Shrestha Mr. Padma Jyoti Mr. Bijaya Krishna Shrestha Mr. Uttar Kumar Shrestha	Chairman Director Director Alt. Director
Gurans Energy Limited	40%	Mr. Sanjib Rajbhandari Mr. Uttar Kumar Shrestha	Chairman Director

Note: Mr. Pratik Man Singh Pradhan, Officiating CEO replaced Mr. Ranjan Lohar, CEO representing BPC in subsidiaries company after appointing Mr. Pradhan as Officiating CEO.

Top Management and Senior Executives

The overall company management is led by the CEO and functionally led by the vice-presidents/Function Heads. The strategic business and functional units are headed by senior executives/managers/project managers.

NAMES AND DESIGNATIONS OF SR. EXECUTIVES

S. NO.	NAME	DESIGNATION
1	Mr. Uttar Kumar Shrestha	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development and Project
3	Mr. Radheshyam Shrestha	VP – Finance
4	Mr. Tikaram Bhatta	VP- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Ratna Sambhav Shakya	Chief Manager – Finance
7	Mr. Vishnu Bahadur Singh	Project Manager, AKHUP
8	Mr. Bishnu Prasad Shrestha	Sr. Manager– CSR & Media Relationship
9	Ms. Rita Chitrakar	Sr. Program Manager- Operations
10	Mr. Bharat Raj Pandey	Deputy Chief Engineer
11	Mr. Lav Kumar Shrestha	Deputy Project Manager, AKHPU

Brief Resume of the Board Members and Disclosures



Padma Jyoti, 68

CHAIRPERSON

- M.E. in Mechanical Engineering from IIT Kanpur, India and MBA from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 43 years of experience in industries and business operations

- Chairman, Jyoti Group of Companies
- Director, Sagarmatha Insurance Co. Ltd.
- Director, Shangri-La Energy Limited
- President, National Business Initiative



Pradeep Kumar Shrestha, 54

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than 30 years of experience in industries and business operations

- Vice President, SAARC Chamber of Commerce & Industries
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Managing Director, Nepal Bitumen & Barrel Udyog Ltd
- Managing Director, Panchakanaya Group of Industries
- Chairman, Mai Valley Hydropower Pvt. Ltd.
- Director, Shangri-La Energy Limited
- Honorary Consul, the Republic of South Africa
- Advisor, Federation of Nepalese Chamber of Commerce & Industry
- Director, HAMS Hospital
- Director, Scenic Housing
- Member, Academic Assembly- National Academy of Science & Technology



Rajib Rajbhandari, 57

DIRECTOR

- B. Com. (Honours) from Bombay University, India.
- More than 25 years of experience in industry, commerce and financial sectors.

- Proprietor, Mercantile Traders
- Director, Ace Development Bank Limited
- Director, Hits Nepal Pvt. Ltd.
- Director, Malpi International School
- Director, Mercantile Investment Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- Director, MNepal Limited.
- Director, Shangri-La Energy Limited.
- Director, Furniture Land Pvt. Ltd.
- Director, Index Furniture Nepal Pvt. Ltd.



Bijaya Krishna Shrestha, 66

DIRECTOR

- Electrical Engineer and MBA graduate from Southern Illinois University, USA.
- More than 35 years of experience in the banking, insurance, computer, and electronic sector

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



Ratna Sansar Shrestha, FCA, 62

DIRECTOR

- CPA from Massachusetts, USA and Master of Commerce and Bachelor of Laws from Tribhuvan University, Nepal
- A fellow of the Institute of Chartered Accountants of Nepal and a corporate lawyer accredited by the Nepal Bar Council.
- Actively involved in the clean energy sector for over two decades.



Shyam Kishor Yadav, 45

DIRECTOR

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

- Under Secretary at the Ministry of Energy, GoN.



Chandi Prasad Shrestha, 60

DIRECTOR

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



Divakar Vaidya, 63

INDEPENDENT DIRECTOR

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



Bijay Bahadur Shrestha, 59

ALTERNATE DIRECTOR

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

Director, Soaltee Hotel Ltd.
Director, United Insurance Ltd



Om Prakash Shrestha, 55

ALTERNATE DIRECTOR

- Bachelor's in Civil Engineering from Punjab University, Chandigarh, India
- 28 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co
- Director, Interworld Trading



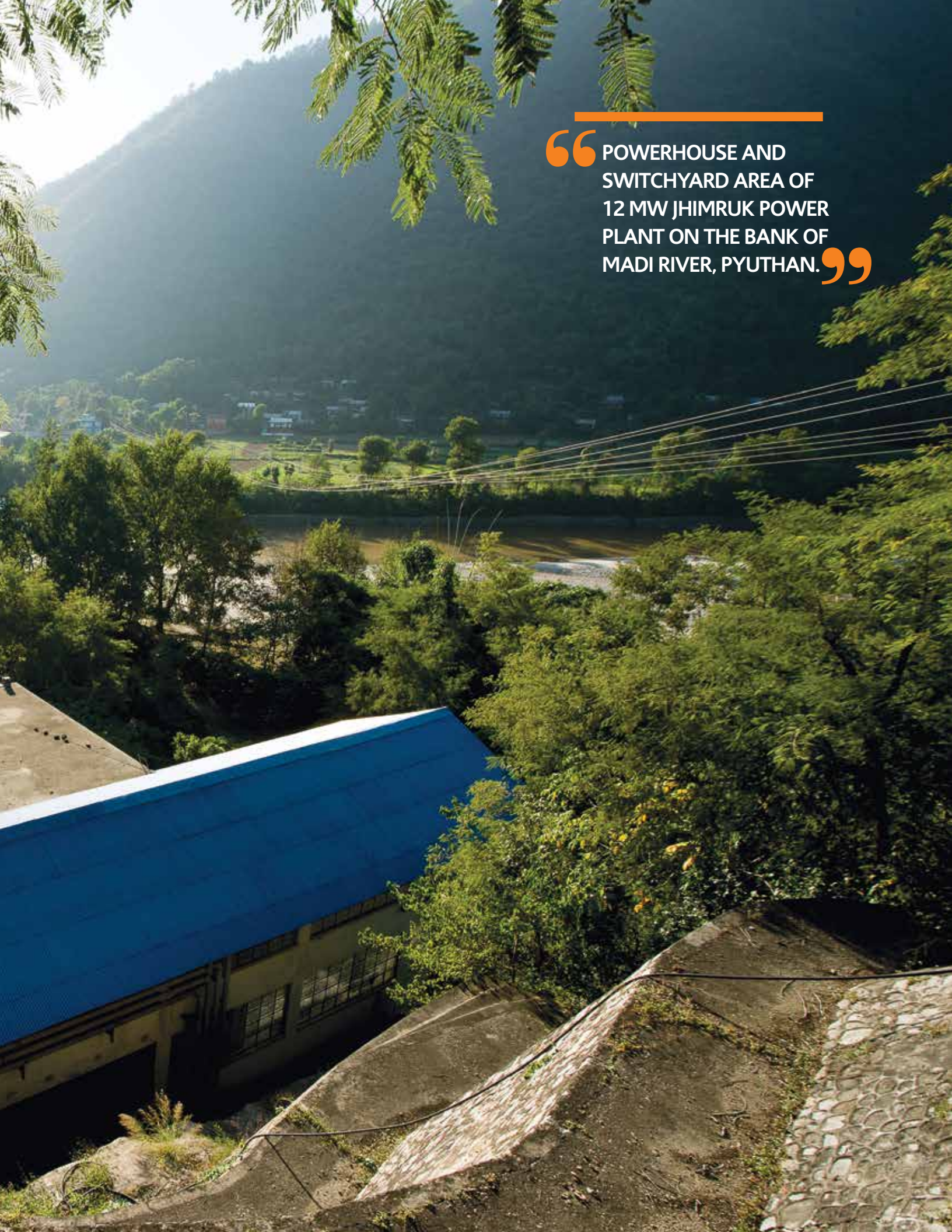
Sanjib Rajbhandari, 55

ALTERNATE DIRECTOR

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

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



A scenic view of a river valley. In the foreground, a large building with a blue roof is visible. The middle ground shows a river flowing through a lush green valley. In the background, a mountain rises under a clear sky. The text is overlaid on the right side of the image.

“ POWERHOUSE AND SWITCHYARD AREA OF 12 MW JHIMRUK POWER PLANT ON THE BANK OF MADI RIVER, PYUTHAN. ”

MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

Despite the urgent need for higher electricity supply and potentiality of hydropower available within the country, the development of this sector has been facing multi-thronged hurdles – among which investment, Government rules and approvals, local issues and power evacuation are the major ones.

Due to the frequent changes in the power dynamics and leadership of the Government, the hydropower investment climate has not been able to improve. The Government has not been in a position to provide security over the investments, which has resulted in foreign investors to either withhold or postpone their plans until the investment climate becomes favorable with a more stable political scenario.

Most of the Independent Power Producers (IPPs) face significant delays in approval of documents submitted to the government authorities causing loss of valuable license period, increase in project cost and frustrations.

The unreasonably high demands for local support imposed by the local communities pose another serious problem for hydropower developers. Though some local communities are more welcoming than the others, there exist entities which press undue demands on the private developers thus making the project difficult to sustain in the long run. With high demands from the locals at the very onset of the project, some of the project developers are shying away from the investments as the project cannot afford to meet such demands. Though there is continued commitment to hydropower development at the central level, the same kind of commitment is not always reflected at the local level.

One of the key challenges in the development of the hydropower sector in the country has been the lack of sufficient infrastructure for power evacuation. NEA needs to double the capacity of existing

transmission network within the next five years to be in a position to cater to all the PPAs that have been concluded till date. One of major problem in building transmission lines is the local issues related to land acquisition and its environmental impact. Due to various complexities associated with the expansion of transmission lines, the network augmentation is still lagging the generation capacity addition plan.

The national budget of GoN for the FY 2071-72 has prioritized on the investments in energy sector with the allocation of significant budget on this sector. The Government has planned to complete major hydro-projects and end load shedding in the next three years and has equally given priority for the construction of transnational and other transmission lines. GoN has given high incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned till 2022-23. In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned by 2080. The Fiscal Budget also ensured to form a high-level committee under the coordination of the National Planning Commission to address problems related to land acquisition to build transmission lines in the project areas.

The fiscal policy has identified the importance of meeting electricity demand for socio-economic development and the progress of people. Thus the recent Power Trade Agreement (PTA) with India and Project Development (PDA) with GMR and Satej have opened the door for foreign investment in hydro-electricity and infrastructure projects in Nepal and also aims to facilitate cooperation in the fields of power generation, grid connectivity, energy efficiency, renewable energy, and power related consulting and research services. After PTA and PDA, the overall environment of hydropower development through foreign direct investment has been improved. The timely formulation of

constitution will also help to ensure improving local environment and security of investment. The new constitution will also provide peace and security to the developers and right of resources till the license period. New Water Resource Act promulgation within current fiscal year will further enhance the developers and investors in the hydropower sector.

Financial Result

BPC concluded the year with net operating revenue of NPR 404.1 million which is 21.1% less compared to previous year. The company's gross operating profit stands at NPR 79.5 million, a decrement of 60.4% compared to previous year. The main reason for this decrease can be attributed mainly to shutdown of Andhikhola Plant for upgrading works. The revenue from distribution business recorded an increment of 14.8% to NPR 108.5 million, however, income from generation business decreased by 29.3% to NPR 289.3 million.

Operating expenses have increased by 4.3% compared to previous year. BPC has to purchase electricity from NEA during the shut-down of Andhikhola Plant, the cost of which is much higher than the actual billing rate applicable to our local consumers. The total energy purchased from NEA is NPR 129.8 million which was NPR 94.7 million in previous year. This was the major reason behind the increase in operating expenses.

BPC received NPR 393.6 million as dividend income from Himal Power Limited (Khimti-60 MW) compared to NPR 241.4 million in previous year. This increase in dividend income has resulted in a positive impact in the overall profitability of the company during FY 2070-71. The net income for the year stands at NPR 303.8 million compared NPR 243.9 million of previous year, an increment of 24.6%.

Total assets of BPC have increased by 21.6% at the year end, compared to previous year. The net worth of the Company stands at NPR 3259 million, an increase of 29.5% compared to last year, which is mainly a result of 3:2 right share issue. Total non-current assets worth NPR 480.7 million were added during the year. Investment in shares (unlisted companies) increased by 12.9%. As advance

toward shares, NPR 55.5 million and NPR 80 million were invested in Nyadi Hydropower Ltd. and Kabeli Energy Limited respectively during the fiscal year.

CONSOLIDATED FINANCIAL RESULT

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

FINANCIAL CONDITION AND LIQUIDITY

In FY 2070-71, Return on Capital Employed (ROCE) was 16.89% against 14.84% of last year with a year-end gearing ratio of 31% which was 49% in FY 2069-70. Cash dividend amounting to NPR 251 million has been proposed to the shareholders for FY 2070-71.

The current ratio for the year stands at 1.7, which is within the acceptable standard.

NET CAPITAL INVESTMENT

Gross capital investment was NPR 1,292 million in FY 2070-71 as compared to NPR 1,157 million in FY 2069-70. The investment was made mainly in Nyadi (30 MW) and Kabeli-A project (37.6 MW).

MARKET CAPITALIZATION

Nepal's Securities Market picked up an increasing trend during the first two quarters of the fiscal year followed by frequent fluctuations in the subsequent quarters. The year-end NEPSE index remained at 1,036.11 points, 99.89% higher than that of previous year. The index reached a maximum value of 2,556.11 points whereas the minimum value was 509.36 points.

Hydropower sub-indices increased by 182.40% and closed at 3,052.49 points compared to previous fiscal year, which stood at 1,080.92 points.

The transaction volume of NEPSE witnessed the encouraging growth and summed up to NPR 77.30 billion which was NPR 21.55 billion in FY 2069-70. It was a 258.65% growth on transaction volume in comparison to previous year. Market

Capitalization increased to NPR1,049,426.98 million from NPR 514,492.13 million of previous year-end (Mid July-2013) figure, a 103.97% increment.

During the year, 688,255 shares of BPC were traded at an average price of NPR 904.53 (High- NPR 1426, Low- NPR 740, and Close-NPR 859). Key figures from securities market for the year are given below:

Particular	Amount (million NPR)
Total Market Capital (TMC)	1,049,426.98
Hydro Power (HP)	93,203.24 (8.88%)
Butwal Power Company	14,535.56 (15.60% of HP & 1.39% of TMC)

Contribution towards National Economy

The country has an estimated 83,000 megawatts (MW) of hydroelectric potential, with 43,000 MW having been identified as potentially economically feasible. Currently the country is generating only 738 MW, less than 2.0% of its feasible potential. In this context, BPC has been operating its two power plants, though one has been shut-down for upgrading purpose this year, with average of about 67% plant factor and contributing about 1.5% of available energy, and 2.0% of total domestic hydro energy generation

in the country. Out of the total IPPs' generation, about 5.62% contribution was made by the Company to the INPS. It has been continuously supplying reliable electricity to its customers as well as the national grid. Nepal, at present, has been facing about 12-14 hours of load-shedding during dry season. It shows that there is huge opportunity for the expansion of business in this sector.

The total nos. of consumers electrified by BPC till the end of FY 2070-71 is 44,942 which are about 1.65% of total electricity consumers connected to the national grid in the country.

Generation Business

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

With a combined generation capacity of 17.1 MW, the generation facilities at Andhikhola and Jhimruk contributed about 2% to the total hydro energy generated in the Integrated Nepal Power System. Apart from the wholly owned and operated plants at Andhikhola and Jhimruk, BPC also holds an additional 12.5 equity MW of generation capacity under its portfolio from Khudi and Khimti hydropower plants which are partially owned by the company.

During the FY 2070-71, total generation stood at 70.76 GWh. The 5.1 MW Andhikhola Power Plant has been shut-down for upgrading works from 6th Mangsir 2069 onwards, which caused the reduction of about 13.9% in total generation compared to previous fiscal year. Total generation achieved this year is on account of efficient operation of the 12 MW Jhimruk Plant alone. The generated energy was supplied to NEA as per the Power Purchase Agreement and as well as to the retail consumers through the Distribution business unit. Further, 33.6 GWh was purchased from NEA to meet the peak demand and to maintain continuity of supply in the distribution areas during shut-down of Andhikhola Plant and other plant outages. Of the total energy available, 69.52% was supplied to NEA, 28.57% was utilized to cater the local consumer demand, and self-consumption and



PPA Signing with NEA for Jhimruk and Andhikhola Hydropower Plants.

system losses accounted for the rest. Total supply to NEA was 72.5 GWh and the Distribution business unit consumed 29.8 GWh.

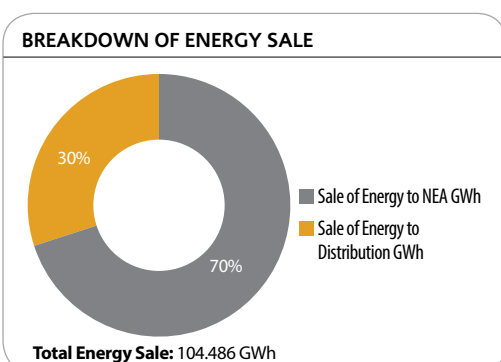
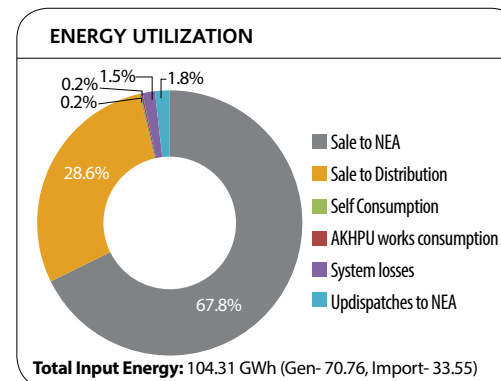
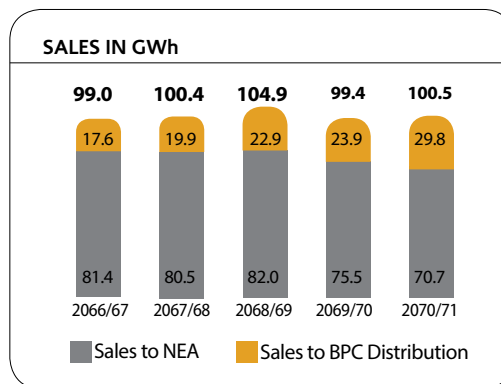
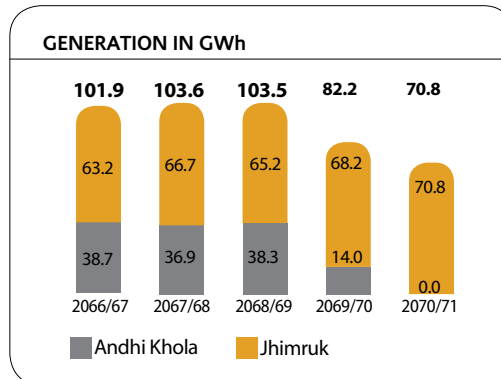
Andhikhola plant was shut down for upgrading works from 6th Mangsir 2069 onwards. A total of 31.13 GWh of energy was imported from NEA to maintain continuity of supply in distribution areas and for construction and self-consumption purposes during the shut-down. Out of total import energy, 6.26 GWh was sold to NEA, 24.66 GWh was sold to BPC distribution and 0.18 GWh was consumed by upgrading work and the construction company.

Jhimruk plant generated 70.76 GWh with plant factor of 67.13 %, an increase of 3.80 % (2.6 GWh) over the last year. Out of total available energy, 66.25 GWh (90.53%) was supplied to NEA and 5.14 GWh (7.03%) was supplied to BPC Distribution.

The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried out as per the schedule. Testing and Calibration of measuring instruments, relays, generators, transformer, overhead crane and chain block was carried out. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works to protect the project area and farmers' land was also carried out.

The Power Purchase Agreement with NEA, which was expired at the end of FY 2069-70 for sale of energy from operating plants, has been renewed for a period of 30 years. The new PPA rate for Andhikhola is NPR 4.48 per unit and NPR 4.76 per unit for Jhimruk for FY 2070-071 and NRS 5.23 per unit for the remaining period.

It is planned to generate 70.52 GWh from Jhimruk plant assuming that NEA will take the additional energy throughout the year. The upgraded Andhikhola plant is expected to come in to commercial operation in January 2015 and



will resume generation at 9.4 MW. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on average river discharge of both plants and estimated outages.

Repair and overhauling of all turbine parts eroded by silt of Jhimruk plant will be carried out. Repair and maintenance of Andhikhola Plant will be carried out as per the maintenance procedure of new plant. The major maintenance of Jhimruk Plant has been planned in Jestha to Bhadra, so that the efficiency of the turbine can be gained for rest of the period in that year in order to maximize the generation.

Distribution Business

The Distribution Business unit purchased a total of 29.8 GWh to supply to retail consumers, which is about 25% more compared to previous year. 24.10 GWh energy was sold to the customers and 0.06 GWh was consumed in the staff quarters and distribution offices. The T&D losses stood at 18.9% of the total purchase, which is slightly higher compared to previous year.

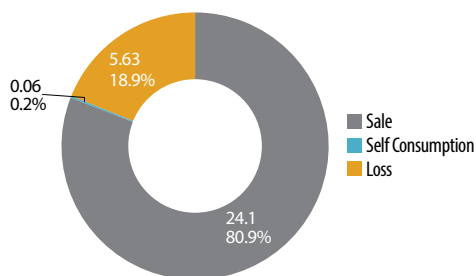
Out of 24.10 GWh sold to retail customers, 20.71 GWh (86.0%) was sold to domestic metered consumers, 0.68 GWh (2.8%) to unmetered consumers, and 2.71 GWh (11.2%) to industrial consumers. Compared to last year's energy consumption pattern, there has been a marked increase in sale of energy to metered consumers and reduction in energy sale to cutouts.

Category	Energy Sale (GWh)		Sale (%)	
	2069/70	2070/71	2069/70	2070/71
Cutout	0.83	0.68	4.2	2.8
Meter	16.38	20.71	83.4	86.0
Industry	2.43	2.71	12.4	11.2
Total	19.64	24.10	100	100

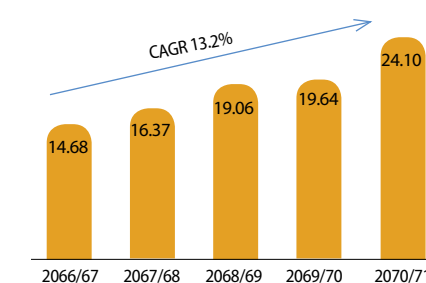
Total revenue (billed amount) in this year was 108.28 million rupees, an increase of 15% compared to last year. Out of which 15.87 million rupees (14.7%) was from industry, 90.64 million rupees (83.7%) from domestic metered consumers, and 1.78 million rupees (1.6%) from unmetered consumers. Though the energy sale has increased by 23% revenue generation has not been up to the same level.

However, the growth of sale and revenue for EDC Darimchour is proportionate, but for EDC Galyang energy sales has increased by 25% compared to last year whereas revenue has only been increased by 15%. The primary reason for such un-proportionate growth of energy sale and revenue is the tariff structure at EDC Galyang. The structure allows high consumption of energy for low electricity rates. Looking at the past five years' historical data, it can be observed that the sales revenue has steadily increased at a CAGR of 13.1%.

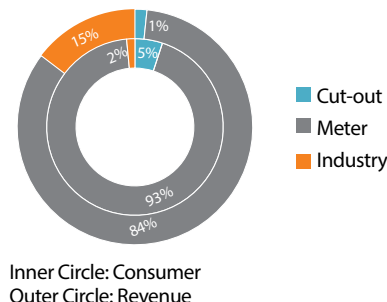
RETAIL SALES (GWh)



RETAIL ENERGY SALES (GWh)



REVENUE VS. CONSUMER MIX



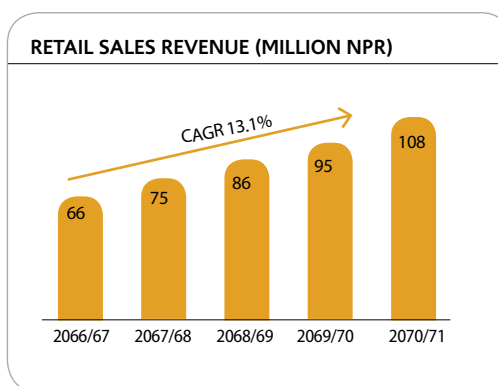
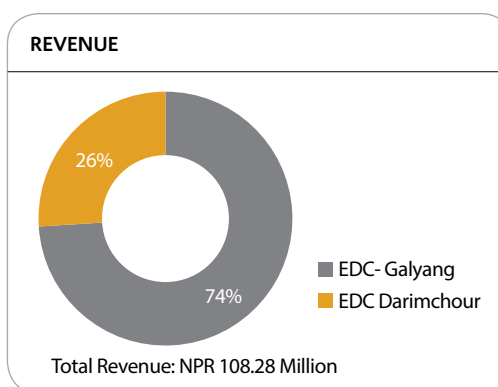
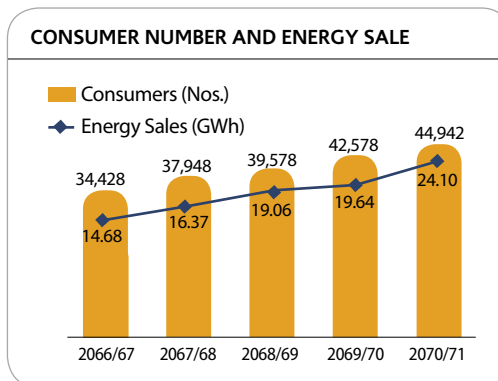
The total energy loss during the year was 5.63 GWh, almost 18.9% of the total purchase whereas the loss last year was only 17.6%. The increase in loss of the system as compared to last year is mainly due connection at Rangkhola Substation. This has concentrated load of the entire system of EDC Galyang on one 33 kV transmission line. Further, the networks designed over the period of 20 years are in need of augmentation. Hence, unless substantial investment is done for upgrading the network, reducing loss would be a challenge.

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

By the end of the FY 2070-71, total of 44,942 customers have been electrified in the four districts, marking an increase of 6% compared to the previous year. A total of 2,299 domestic consumers and 57 industrial consumers were newly connected. As a part of our continuous effort to reduce revenue loss, a total of 381 cut-out consumers were converted into metered category.

Necessary system expansion for consumer addition was made possible through installation of ten new transformers of 11 kV & 33 kV increasing the installed capacity from 9,265 kVA to 9,990 kVA. Additional 27.7 km (ckt-km) 33 kV network, 11.0 km (ckt-km) 11kV and 81.5 km (ckt-km) low voltage lines were also constructed this year.

Distribution Business is committed towards its customers for delivering quality service. Hence, feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. Also a new customer billing and revenue collection was set-up at Rampur Office to facilitate customers. This year, the average respond time per complain was within the time period specified in the citizen charter.



Andhikhola headworks with rubber dam.



Loan agreement signing with World Bank and IFC for Kabali-A Hydropower project.

The total User Organizations (UO) at the end of FY 2070-71 stands at 117.

A five year expansion and system renovation has been prepared after completion of REEP I. The proposal has already been submitted to Ministry of Foreign Affairs Norway (MFAN) for financial contribution. Several meeting regarding the project has been held and the project document has been revised twice for incorporating comments from MFAN. All the remaining construction & upgrading activities that were delayed during the past year due to technical and social problems are rescheduled to complete within the project period.

As a part of system expansion, 2,811 new domestic consumers & 37 industrial consumers are planned for addition in the following year (FY 71/72) by construction of 41.4 Km 33 kV, 6 Km 11 kV line and 216.3 km of low voltage line and addition of 14 number of 11kV & 33 kV transformers & 1 no. of 1/0.4 kV transformer.

Total number of UOs is targeted to be 112 at the end of FY 2071-72.

Project Development

Andhikhola Upgrading Project, fully owned and operated by BPC for last 23 years has undergone capacity upgrading from 5.1 MW to 9.4 MW. The project is being financed by International Finance Corporation (IFC) and Mega Bank Limited. The

commissioning of the upgraded plant has been delayed due to unforeseen circumstances on account of certain technical and social issues and consequences has led to some increment in the project cost. Now, the upgrading work is nearing completion and the commencement of commercial operation for the upgraded plant is expected within January 2015. With the commissioning of the project, additional 26 GWh will be added to the national grid annually. NPR 1160 million has been spent in the project till the end of FY 2070-71.

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

Kabeli-A Hydroelectric Project (KAHEP) is a Peaking Run-Of-River (PROR) type project with a peaking reservoir constructed by damming Kabeli River at headworks. The water from the reservoir will be diverted through a 4.33 km long tunnel into a Power House located on the left bank of Tamor River generating 37.6 MW of power. The generated power will be evacuated through Kabeli Corridor 80km long 132kV transmission



Tunnel reinforcement in the squeezed section at Andhikhola tailrace.



Top management of BPC.

line from the switchyard located at Power house to the substation at Damak. The Kabeli Corridor transmission line is separately funded by the World Bank and is being implemented by NEA. As one of the key projects Kabeli-A opens up eastern part of Nepal to the national power grid. The project is expected to have significant development impacts and will help relieve the dire electricity shortage through providing clean power to the eastern part of Nepal.

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

The total capitalized cost of the project will be US\$ 100 million. Majority of shareholding will be held by Butwal Power Company Ltd. BPC will have 55.6% ownership in KEL with 26% direct holding and the remaining through Gurans Energy Limited, the JV investment company.

In the debt part US\$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB has already been signed and US\$ 40 million loan available from WB will be channelized to Kabeli-A project through HIDCL. Kabeli Energy Limited (KEL), a subsidiary of Butwal Power Company (BPC), signed the Loan Agreement of US\$ 38.6 million with International Finance Corporation (IFC) on July 23, 2014 in Kathmandu.

Deemed Power Purchase Agreement has already been agreed and included in the PDA and its amendment. Formal execution of the deemed PPA

is undergoing and is expected to be concluded by end of December 2014.

BPC has already invested around US\$ 5 million in KEL. Letter of Intent (LOI) to the Civil and Hydromechanical contracts has already been given and final negotiation is undergoing with Electromechanical contract. The construction of the project will commence in first quarter of 2015 and the project is expected to be commissioned by 2018.

Nyadi Hydropower Limited (NHL), a SPV of BPC as majority shareholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project. Once operational, the project will be able to generate about 168.5 GWh of saleable energy annually.

The project has received generation license for 35 years on 2069/11/03. The motorable track up to powerhouse site and bridge over Marsyangdi river have already been constructed by the project and are under operation. Prequalification of Civil, Electromechanical and Hydromechanical contractors/suppliers has been completed. The power Purchase Agreement was delayed. Ministry of energy has formed a taskforce to prepare guidelines on PPA for the projects bigger than 25 MW. Once Ministry of energy finalizes the rate for PPA for project above 25 MW, the Nyadi project will actively work with NEA and conclude the PPA.

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

The debt financing of the project is planned to be provided from Nepali banks and financing institutions for which the term sheet negotiation with Lead Bank is ongoing. Once the PPA will be concluded final negotiation of the loan document will be carried out and loan agreement will be signed.

Lower Manang Marsyangdi Hydropower Project (LMMHP), is located in the southern part of Manang district of the western development region.

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

The project is located along under construction Beshisahar- Chame road. Track opening of this road has been completed and the motorable track now is operational seasonally.

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

The project capacity has been re-optimized at 40 percentile flow and fixed at 100 MW to meet the NEA guideline for the PPA. Accordingly, an application for PPA together with the required documents has been submitted to NEA on 2070/09/12. Necessary documents for PPA have also been submitted.

BPC has already invested about US\$ 2 million in the project.



Headworks location of 100 MW Lower Manang Marsyangdi Hydropower Project.

Corporate Activities

INTEGRATED MANAGEMENT SYSTEM

BPC is certified with ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) through the Certification Body, DNV (Det Norske Veritas). We are the only Hydropower Company in Nepal being certified with all these three Management Systems with its effective implementation. Besides, we also approached for Integration of these three Management Systems and after series of External Audits, we are successfully certified with the Integrated Management System on 21st May, 2014.

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



Powerhouse equipment at upgraded Andhikhola project.

MANAGEMENT REVIEW

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

HUMAN RESOURCE

BPC's total human resource at the end of the fiscal year was 275. The competency of its human resource makes a strong foundation for any organization to grow on. The management of BPC gives special effort and takes action for continuous skill and competency enhancement of its employees. Through the process of human resource accounting, we continuously analyze information about human resources which assists the management to plan, implement and monitor the Company's human resource development plan in line with the Company's vision and goals. Also, BPC believes in and practices management through participation. Employees' suggestions and grievances are handled to ensure a smooth

operation throughout the organization. This also helps in maintaining and improving the industrial relations within the Company.

HUMAN CAPITAL AS ON END OF FY 2070-71

Total No. of employee	Regular	Contract	Technical	Non-Technical
275	228	47	147	128

23 different events, including trainings, workshops and seminars were organized during FY 2070-71. 6 in-house trainings, 16 domestic trainings and 1 training abroad were undertaken. These accounted for a total of 5148 training hours and 510 participants.

Labour Relation Committee (LRC) was formed to maintain the harmonious Management - Employee relation on Chaitra 14, 2070.

BPC EMPLOYEE WELFARE ACTIVITIES

Butwal Power Company Limited Employees Welfare Fund was set up in 2052 BS being managed by Welfare Fund Management Committee which consists of the members nominated by the management and employees union. The welfare activities includes support on mourning to the bereaved family, academic encouragement award to intelligent children of the employees, scholarship to the children of demised employees, sports activities, medical support, service recognition award to departing employees for tenure of more than one decade of service in the company.

FACILITY MANAGEMENT

Facility Management Unit is providing support services of general administrative nature to smoothen day to day operation of Head Office. Effective space management, operation and maintenance of building and vehicles, event management, etc are the main responsibilities of the unit. Apart from day to day activities, the unit is involved in organizing various events like AGM, anniversary program, sport activities, picnic, farewell etc.

ASSET MANAGEMENT AND RISK COVERAGE

The assets of the Company are adequately insured against operation risk (covering fire and allied perils, Business Machine, Transit, Money, Fidelity and Burglary), revenue risk (covering Loss of Profit) and construction risk (covering contractor's all risk, erection all risk, third party liability including materials damages).

The insurance claim for losses due to the Incident of 23rd of Poush, 2069 at Jhimruk has been settled upon the receipt of NPR 40.05 million from the insurance company. Scrap materials worth NPR 2.8 million were sold during the FY 2070-71.

INFORMATION AND COMMUNICATION

TECHNOLOGY

Environment friendly, reliable and secured data center is established with reliable network structure. Optical fiber intranet connectivity is in place from Head Office to site offices to transfer and access the data to and fro through VPN technology.

Unified communication software is installed for fast communication, video conferencing, file sharing etc., among head office and branch offices for improving productivity and security.

A data center is established to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and various security devices.

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

Internal website i.e. Intranet is developed to share the information within the organization. Customer feedback survey, online requisition for ICT support, document management etc have been incorporated in the intranet to make the daily tasks easy and disseminate information in organized, secure way.

PROCUREMENT

Procurement Unit procured goods, services and works for the Company as per Annual Procurement Plan for FY 2070-71. The Procurement of generation and distribution related materials / electrical / electromechanical equipment such



25 years long service award presented at 49th anniversary of BPC.



Team BPC



Head Office



Butwal Liaison Office



Jhimruk Office



Andhikhola Office





Friendly match between DoED and BPC employees.

as: Single Phase Static Energy Meters, ACSR Conductors, Three Phase Meters, Circuit Breakers, Current Transformers, Distribution Transformers etc. have been procured as per process defined under Procurement Guideline. Likewise, Contract Management was effectively carried out for works related to River Training Works at headworks and community works at tailrace in Jhimruk, Calibration and Condition Monitoring Test of Equipment at Jhimruk Hydroelectric Centre, Andhikhola Hydropower Plant and Liaison Office Butwal. Also, contract was awarded to NHE for design, supply, construction, testing & commissioning of 33 kV Interconnection Bay for 9.4 MW Andhikhola Hydroelectric Project at Rangkhola Substation. The second phase of building construction contract has also been awarded. Both the awarded contract works are under progress till date.

Risk Management

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

A Risk 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.

BUSINESS RISK ENVIRONMENT

Financing a hydropower business is very heavily dependent on the prudent management of various types of risks. This involves identification of various risks associated with a project and assessment thereof. However, the most important step lies in arranging measures to mitigate such risks including an effective insurance program. In addition to the market risk, there are various risks associated with hydropower business viz: political risk, operational risks, project risks, investment risks etc.

The company regularly assesses these risks and has established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, the company does not anticipate any financial and material losses from these risks.

POLITICAL COMMITMENT

Every government has set different targets and



33 KV Mirdi sub-station, Waling.

realized the need of hydropower development for economic development of country. But the targets are not supported by action plans and programs with funding source, schedule, and infrastructures development like transmission lines, access road, and construction power. At the central level, parties have made commitment to prioritizing the hydropower sector but at the local level the commitments are not at all reflected among the political activists. People expect the developer to play the role of state at local level for infrastructure development like support to school, road, irrigation, electricity supply, etc. which result in cost overrun and renders the project unfeasible. Political activists in the local level should be committed towards implementation of law and order in project sites, and they should be more welcoming towards the developers. In this regard, top level politicians should give clear directions and remain committed to the policy.

CLARITY ON POLICY

Insufficient policy and legal instruments has been one of the major hurdles for attracting domestic and international investors for the development of hydropower. Issue of ownership on resources is

one of the most critical aspects and impose risks for the investment by the private parties. There is no clear policy regarding the role of IPPs and their contribution to address the social issues. It has been a matter of discussion whether hydropower should be developed for fulfilling domestic requirement or mega projects be developed by inviting international investors and export the surplus hydropower to cross border markets. There is still confusion on the actual availability of resources, domestic consumption potential and what to do with the rest, if developed. Discussions have started for marketing the excess energy produced, but the materialization of the same is still a challenge.

ELECTRICITY PRICING

Many projects have been identified, licenses distributed, study and investigation done and found that the projects are technically viable, PPA signed and required permits/approvals taken but have not been implemented with the same pace. The reason behind this may be many but the main reason is either the project with given tariff and market interest rate is not commercially viable or the funding and the financial closure is the problem. For a genuine developer, foreign financiers may show

Installation of generator at Andhikhola HEP.



interest to invest if the PPA is done in USD. With the prevailing tariff rate and IPP to bear exchange risks for foreign investments, no projects can give the desired return. If the PPA rate is cost reflective, projects together with required infrastructures can be developed by private investors. In this approach, the developer fixes the price of electricity based on its average cost of generation plus a certain profit margin. Some of the major costs associated with the production of hydropower are costs of preparatory works, civil works, electrical and mechanical equipment, transmission and substation, engineering, management and administration, and operation and maintenance. Also, the volatility of exchange rate of foreign currency risks has to be considered. The cost of the hydropower project can be reduced to some extent with the implementation of Multi-purpose project.

PROJECT DEVELOPMENT RISK

At present, BPC has been developing a number of hydropower projects simultaneously and has been experiencing challenges and risks in executing these projects. Some of the project challenges and problems are local people demand/interruptions, risks related to expiry of licenses, PPA, power evacuation, slow work of consultants/contractors, rework due to low quality delivery, blockage of roads due to landslides, delay in financial closure, delay in approvals, unavailability of quality technical personnel and contractors/suppliers, insufficient specific service providers, insufficient international standard Engineering/Environment study consultants, import of most of materials/equipment from third countries thus causing delay and breakage in delivery, unnecessary custom / duty clearances etc.

All probable development risks have been analysed and risk assessment scorecard has been developed to keep a track of them and ensure timely action for mitigation of such risks. Some of risks have been incorporated within CSR activities as well. BPC have been urging the concerned authorities and persons to cooperate to mitigate or manage the risks which are not in control of BPC management.

GENERATION RISK

Upgrading of Andhikhola power plant is being carried out. New machine and equipment are installed in the power plant and after the works are over, the plant will run on upgraded capacity of 9.4 MW (+4.3 MW). Operation of this new

plant would automatically mitigate the risks posed by the old and fragile plant and equipment, which had increased the cost of operation due to frequent breakdowns previously.


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

DISTRIBUTION RISK

The foremost risk for distribution business is theft of electricity. Mass theft of electricity could increase commercial loss for distribution and have negative impact on the revenue generation. However, suitable control measures have been adopted by the distribution to curb this risk. Surprise checks are planned and consumer's houses are inspected regularly. Only few cases of theft have been reported annually. Additionally, the fine imposed on such customers involved in pilferage has also deterred them from the theft.

Another risk for distribution is damage of distribution network due to natural calamity. This risk has been covered by suitable insurance policy adopted by the company.

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 6% and energy purchase by 25% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also pouring in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it has been already initiated to revise the existing distribution tariff.



“DOWNSTREAM OF
JHIMRUK HEADWORKS.
THE PLANT GENERATED
70.8 GWh IN FY 2070-71,
WHICH IS THE HIGHEST
SINCE ITS COMMERCIAL
OPERATION.”



AWARDS AND RECOGNITION

NATIONAL BEST-PRESENTED ANNUAL REPORT AWARD

The Institute of Chartered Accountants of Nepal awarded BPC by "National Best-Presented Annual Report Award, 2013" in the General sector for excellence in the presentation of its annual report 2013. Chief Executive Officer Mr. Uttar Kumar Shrestha has received this award from honorable Finance Minister Mr. Ramsharan Mahat on 18th July 2014 at a function organized by ICAN.



CERTIFICATION OF OHSAS 18001:2007

BPC has been certified from Occupational Health and Safety Management System Standard OHSAS 18001:2007 by DET NORSKE VERITAS AS on 20 September 2013 which shall be valid until 19 September 2016.



BPC has been re-certified from ISO 9001:2008 and ISO14001:2004 for Quality and Environment Management System Standard as well.

FNCCI CERTIFICATION OF COMMENDATION

BPC also received the Certification of Commendation in recognition of active participation in the FNCCI National Excellence Awards 2010 and for an outstanding performance in Organizational Form, Work Plan Development and Deployment (Large Scale Category).



SAFA MERIT RECOGNITION

BPC had received Certificate of Merit on BPA and Corporate Governance Disclosure Award in the manufacturing sector by the South Asian Federation of Accountants (SAFA) on the basis of evaluations carried out by SAFA's Committee for Improvement in Transparency, Accountability & Governance of the published annual reports of South Asian entries.



SHAREHOLDER INFORMATION

Trading Information

Market response for BPC stock was satisfactory in FY 2070-71 in comparison of overall securities market. Quarterly key figures related to BPC shares in stock exchange for FY 2070-71 is given below:

Summary of BPC Share Transaction for FY 2070-71

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	77.10	64.80	268	937	780	800	820	48
Second	186.18	199.05	521	1320	775	1320	996	46
Third	132.66	142.11	496	1426	759	800	1005	35
Fourth	292.32	240.40	952	933	740	859	797	75
Total	688.26	646.36	2237	1426	740	859	905	204

Shareholding pattern as on 32nd Ashad 2071

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
PROMOTER GROUP			
NEPALI			
Individual	3	306	0.00%
Government	1	1538223	9.19%
Corporate Bodies	1	11667350	69.73%
Institutions	2	188883	1.13%
FOREIGN			
Corporate Bodies	1	1023397	6.12%
Institutions	1	283395	1.69%
Total	9	14701554	87.86%
PUBLIC SHAREHOLDING			
Individuals	1314	2030673	12.14%
TOTAL	1323	16732227	100%

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES
Holding shares upto 50	161	4148	0.02%
Holding shares between 51 to 100	131	10831	0.06%
Holding shares between 101 to 500	565	140809	0.84%
Holding shares between 501 to 1000	169	128741	0.77%
Holding shares in excess of 1000	297	16447698	98.30%
Total	1323	16732227	100%

FIVE YEAR FINANCIAL SUMMARY

Five Year Summary of Statement of Financial Position

In Thousand NRs

PARTICULARS	2066/67 2009/2010	2067/68 2010/2011	2068/69 2011/2012	2069/70 2012/2013	2070/71 2013/2014
ASSETS & PROPERTY:					
Fixed Assets	781,666	1,521,536	1,543,387	1,507,722	1,432,459
Land	66,561	66,561	59,755	72,310	69,266
Office Building & Quarters	30,508	28,267	67,154	195,495	195,288
Access Road	2,323	2,093	-	-	-
Suspension Bridge	1,533	1,381	-	-	-
Power Plant & Machinery	281,217	258,644	233,196	204,435	178,842
Switching & Sub Station	52,941	50,714	40,001	39,194	37,371
Transmission & Distribution Line	305,741	350,974	352,532	360,519	344,664
Capital Stock	-	-	32,933	11,345	10,970
Office Equipments	20,866	19,869	33,442	72,175	69,014
Furnitures	1,373	1,378	8,814	22,482	21,648
Vehicles	18,603	21,918	22,953	20,590	16,761
Revalued Asset	-	719,737	692,607	509,177	488,635
Assets Held for Sale	-	-	-	3,170	3,170
Work in Progress	95,404	205,488	407,388	860,113	1,316,475
Investment in Shares	807,211	932,853	999,287	1,082,501	1,222,091
Current Assets, Loan & Advance	651,519	600,391	1,023,849	852,890	884,848
Stock	104,543	83,413	42,857	35,956	56,912
Debtors & Receivable	93,690	184,140	283,626	276,275	335,948
Cash & Bank Balance	234,888	44,902	322,797	252,087	202,039
Advance & Deposit	218,398	287,936	374,569	288,572	289,949
Deferred Revenue Expenditure	5,644	4,895	5,704	-	-
Total	2,341,444	3,265,163	3,979,615	4,306,396	4,859,043
CAPITAL & LIABILITIES:					
Equity	922,968	1,015,269	1,015,269	1,015,269	1,673,223
Reserve & Surplus	706,834	1,695,673	1,908,136	1,708,852	1,785,848
General Reserve	148,700	148,700	148,700	148,700	148,700
Revaluation Reserve	-	719,737	692,607	509,177	488,635
Retained Earnings	385,120	621,051	853,602	843,145	937,934
Share Premium Account					11,006
Grant Aid in Reserve	173,014	206,185	213,227	207,830	199,573
Long Term Loan	57,970	118,111	531,799	838,453	873,509
Deferred Tax Liabilities	-	-	13,442	26,163	7,963
Current Liabilities	566,569	328,979	444,198	678,347	493,088
Short Term Loan	205,495	162,932	245,022	397,472	126,306
Creditors & Payables	301,517	149,189	193,808	277,761	364,247
Advance & Deposit	59,557	16,858	5,368	3,114	2,535
Provisions	87,103	107,131	66,771	39,312	25,412
Provision for Corporate Tax	25,207	38,291	43,781	7,901	-
Corporate Tax for 2060/61 (under Appeal)	16,774	16,774	16,774	16,774	16,774
Provision of Loss in Investment	45,122	38,762	522	-	-
Provision for Expenses	-	13,304	5,694	14,637	8,638
Total	2,341,444	3,265,163	3,979,615	4,306,396	4,859,043

Five Year Summary of Statement of Income

In Thousand NRs

PARTICULARS	2066/67 2009/2010	2067/68 2010/2011	2068/69 2011/2012	2069/70 2012/2013	2070/71 2013/2014
INCOME					
Operating Income					
Electricity Sale to NEA	387,896	408,575	432,511	409,020	289,299
Electricity Sale to Consumers	65,535	75,212	85,922	94,537	108,509
Electricity Services	9,137	9,228	5,583	8,549	6,299
Management and Technical Support	17,241	80,877	81,133		
Total Operating Income	479,809	573,892	605,149	512,106	404,107
Income from Other Sources					
Interest Income	6,408	15,825	32,786	28,522	35,134
Foreign Currency Exchange Gain (Loss)	(3,651)	(4,283)	8,769	6,586	1,204
Dividend Income	137,803	164,265	374,957	241,408	393,615
Gain (Loss) on Disposal of Assets & Stock Materials	(602)	2,295	147	1,254	2,277
Depreciation Being Revenue Portion of Grant Aid	7,547	9,408	10,772	11,188	11,506
Grant Support for Technology Transfer	2,077	-	-	-	-
Other	1,699	1,792	2,296	7,204	11,814
Total Non- Operating Income	151,281	189,302	429,727	296,162	455,550
Total Income	631,090	763,194	1,034,876	808,268	859,657
EXPENDITURE					
Generation Expenses	137,842	144,495	163,387	242,826	261,785
Distribution Expenses	55,762	59,509	59,167	68,333	62,807
Management and Technical Support Expenses	12,072	19,556	7,738	-	-
Project Development Expenses	1,045	8,014	15,856	-	-
Administrative Expenses	83,253	73,503	84,687	115,469	108,299
Provision of Loss in Investment	7,483	(6,360)	48,292	(7,307)	(4,969)
Interest Expense	18,104	25,240	35,789	48,461	50,413
Depreciation	60,632	62,199	67,834	70,690	90,042
Staff Bonus	5,457	9,777	11,400	5,290	5,711
Total Expenditure	381,650	395,933	494,150	543,762	574,088
Net Profit Before Tax	249,440	367,261	540,726	264,506	285,569
Income Tax Provision	25,207	38,291	43,781	7,901	-
Deferred Tax Expenses			13,442	12,721	(18,199)
Net Profit After Tax	224,233	328,970	483,503	243,884	303,768
Retained Earnings b/f	429,502	385,120	621,051	853,602	843,145
Prior Year's Adjustment	(115)	(742)	2,865	(524)	(26,231)
10% Stock Dividend	(83,906)	(92,297)	-	-	-
Dividend Paid	(184,594)	-	(253,817)	(253,817)	(182,748)
Balance Transferred to Financial Position	385,120	621,051	853,602	843,145	937,934

CORPORATE SOCIAL RESPONSIBILITY

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

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

BPC has been doing different activities related to the social and environmental improvement programmes to fulfil its Corporate Social Responsibility (CSR) objectives.

Kathmandu

BPC has organized "Environment day-2014" on the auspicious occasion of 40th "World Environment Day" on 5th June 2014 (22 Jestha 2071), With different environmental conversation programs and its slogan "RAISE YOUR VOICE,

NOT THE SEA LEVEL". Participants from different organizations like Buddhanagar Baudhik Samaj, Buddhanagar Aama Samuha, Local community and nearby schools were actively participated in the occasion. The main objective of the program was to promote awareness on the importance of preserving our biodiversity, the need to identify problems related to the environment and ways to take corrective and preventative action. Walkathon, plantation, presentation on rainwater harvesting and poem/essay presentation by school's students on the theme of WED 2014 slogan were included in the program. The program was very precious and valuable to aware school students, local people, staff of the different organization, especially for the Akal and Ama Samuha. A documentary program related to climate change was also shown on the program.

Andhikhola project area

ANIMAL HUSBANDRY & AGRICULTURE DEVELOPMENT PROGRAM

The Integrated Pest Management (IPM) training was underway since 2069/08/21 in the Andhikhola HP. A tentative of 2 ropanies of land has been leased for five months where cauliflower is the standing crop in the IPM field. Likewise, BPC has also conducted Animal Husbandry & Agriculture Development Training for the locals. All together 60 community personnel from Lalyang, Dhairani and Simle were participated in the training.



Irrigation canal constructed by BPC at Andhikhola.



Irrigated land by BPC

Construction of drain canal

The project has been constructed A total of 1000 m Road Drain at Tallo Galyang area. About 120 households are benefited from it. Andhikhola project has donated HDPE pipe to make the temporary irrigation system in agriculture fields.

Additional water and budget released for AKWUA

BPC has provided additional water to Andhikhola Water User's Association (AKWUA) for the social and economic upliftment of the project area community. The project has also released NRs 4.5 million for the rehabilitation of AKUWA canal and its networks. Likewise, the project also released 300 liter (Lt)/second water during Project construction phase also. Similarly, AKWUA has received an addition of 50 Lt/Sec of water during the dry seasons.

Drinking water support

The Project has provided Rs. 100,000/- Cash support to Garandi Community for the rehabilitation of existing Garandi Drinking Water Supply System of Jagatradevi VDC, downstream of Andhikhola, Garandi on 22/06/2014. Project has also provided support for the drinking water to Sikhardanda for the water supply rehabilitation. The support amount of Rs. 20,000/- has been provided for the works of Lift Drinking Water Supply System for Shikhardanda community of Jagatradevi VDC. Cash support provided through water user's committee.

Andhikhola project also Donated Rs. 24,500/- for the construction of Chharti water tap at Lalyang area upon the request of community.

Support for road improvement

The project has constructed about 530 meter Food Trails in the Lalyang village area upon the request of lalyang community. Likewise, the project has also supported cash (for the excavation work) to construct 200m motorable road from Chharti to Lalyang Village and Lalyang to Chharti Area.

Support to local activities

The project has supported to construct Volleyball Ground at Tallo Galyang area. BPC has also donated Rs.13,000/- for YOGA Group Galyang for the establishment of Yoga Prashichan Kendra in Galyang. Similarly, the project has supported Rs. 20,000.00 to repair and maintenance of old Chautara at Hungi VDC - Asardi, Palpa. It will help for the development social environment.



Education support

Andhikhola project has also provided scholarship for the 3 intelligent students of Galyang Multiple Campus in consultation with school management and relevant organization.

Rural electrification

BPC supplied electricity to around 29000 households from BPC's distribution network in 2 districts – Syangja and Palpa, Almost all the project area's VDC has electricity facility through BPC electrification Project. It helped to uplift the livelihood of the people in the area,

Jhimruk project area

After successful completion of Jhimruk Downstream Mitigation Program (JDMP) in Jhimruk Project Area, BPC has continued its support in project area for social uplift and environmental development activities through Social Uplift Program (SUP). The activity was conducted for ten VDCs of Pyuthan district namely Nayagaun, Dakhawadi, Ramdi, Khaira, Dhuwang, Pakala, Raspurkot, Bijuli, Baraula and Dangwang. The activities of SUP were mostly focused on income generation and community development activities through Irrigation System Improvement including leadership training, Capacity Building at the local level, Developing Micro Enterprises and other Income Generating Activities. The followings CSR activities have been conducted in the Jhimruk HP during fiscal year 2070-71.

Irrigation system improvement

Among many environmental and social initiatives, Jhimruk Project has conducted training on leadership for the irrigation user's group. About Fifty participants from 10 VDCs were trained for the irrigation system improvement activity for the improvement of agricultural productivity. Likewise, 19 irrigation canal were also repaired and maintained. In addition, the project has conducted river training work at Chharti Khola and downstream of head-works for the protection of farmer's cultivated land.

Health and Sanitation support program

The project has supported to repair and maintain 10 drinking water system of the area . It has



Rural electrification by BPC at Andhikhola.

helped to provide clean and safe drinking water to the villagers. The project has also conducted awareness raising program on health sanitation and one day free health check up program for the improvement and upgrading existing health care center. A total of 176 female out of total 238 were benefitted by this free health check up.

Income generation program

Regarding income raising program, BPC has supported for the fish farming at Khaira VDC. It has helped to increase economical condition of the area. The project has also supported farm-based and non-farm based micro enterprises for the project influenced area.

Skill development program

The project has also conducted Long and short term training like Arc Welding and Mobile application to enhance the local capacity for income generation establishing mobile service business at Dhuwang, Naya gaun, Dakhawadi, Pakala, Radmdhi and Raspurkot VDCs.

Rural electrification in the project area

BPC supplies electricity to around 11900 households of the project areas, from its distribution network and 132 industries are benefitted by BPC electrification programs. Almost all the project VDC has electricity facility through BPC Rural Electrification Project. People use electricity for the lighting purpose as well as to operate electrical equipments.

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

HEALTH, SAFETY & ENVIRONMENT

BPC recognizes that a good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. BPC continuously monitors its environmental aspects and work related hazards, in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, reduction in the incidence of occupational sickness, as well as the minimization of all kinds of environmental pollution through its defined procedures and safety control systems.

Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment. Emergency preparedness plan in place ensures that minimum loss occurs to employees and property in case of an emergency situation. No major accidents were reported during the year.

All the activities are carried out in a safe manner applying suitable safety measures. The Safety & Emergency Preparedness Plan is communicated amongst all to cope with all emergencies situation like fire, flood, landslide, earthquake

etc. BPC has been certified by the OHSAS 18001:2007 Standard which further enhances the health and safety standards within the company.

In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to develop and implement Environmental Management System (EMS) effectively throughout the company to measure, control and reduce the environmental impacts. BPC is fully compliant with various environmental protection, health and safety laws and regulations. In its constant



endeavor to be fully compliant with all regulatory standards, BPC has instituted a compliance management system, which ensures that the Company is in full compliance to all applicable legal and statutory requirements. Prior to the implementation of new projects the potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of project.

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

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

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

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

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

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

Economic Performance

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

Social Performance

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

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

Environmental Performance

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

BPC SUBSIDIARIES

Hydro-Consult Engineering Ltd.

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

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

HCE has continued to provide international and national engineering consultancy in FY 2070/71 intelligently, paying particular attention to successful business results, rather than merely finishing the job. Internationally, the project management and construction supervision of 5 MW Gura Hydropower Project in Kenya and feasibility study of 260 MW Jamshill Turen More Hydropower Project (previously Koragh HP) in Pakistan continued in this fiscal year also. In national scenario, HCE continued detail design of 42 MW Mristri Khola HP; support services for Lower Manang HP (140 MW), Kabeli A HEP (37.6 MW), Nyadi HP (30 MW) and Adhikhola Upgrading (9.4 MW); and IPC verification of Hewa Khola HP (14.9 MW) and Mai Khola HP (22 MW) in this fiscal year also. In addition, the notable consultancy services performed by HCE in this fiscal year are: construction supervision of Thapa Khola HP (13.6 MW), technical management and construction supervision of Upper Mai HP (9.98 MW), detail design and tender document preparation of Khani Khola HP (30 MW), updated feasibility, tender document preparation and detail design of Nyam Nyam SHP (6 MW), feasibility review, tender document preparation and detail design of Middle Modi HP (15.1 MW), design and tender documents preparation of Khimti I Headworks repair (60 MW) etc.

HCE has continued consistent financial performances in this fiscal year also. In the FY 2070/71, the revenue from consultancy business is NPR 82.2 million compared to NPR 59.6 million in FY 2069/70. The net profit after tax is reported at NPR 11.6 million. Therefore, the overall financial performance of the company is commendable.



Gura Project of Kenya carried out by Hydroconsult

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

HCE believes that the analysis stage of a development is the most crucial and its multi-disciplinary team has the expertise



HYDRO-CONSULT
ENGINEERING

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

Khudi Hydropower Limited

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

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

During the FY 2070-71, 22.51 GWh of energy was supplied through 33 KV transmission line to NEA.

The company recorded revenue of NPR 96.28 million during the FY 2070-71 which is the highest recorded revenue generation since its operation. It marks an increment of 0.15% over previous year's revenue. The principal and interest for the consortium loan have been

PROJECT FACT SHEET:

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

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

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

Installed Capacity: 4.00 MW

Annual energy generation: 24,284 MWh

Design discharge: 4.9 m³/s

Gross Head: 103 m

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

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

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



Powerhouse of Khudi Hydropower Project.

paid regularly as scheduled. The company was able to record a net profit of NPR 17.0 million, which is commendable considering loss incurred during the past few years.

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

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

the high floods since the water is very turbid with high sediment content during these times.

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

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



Penstock pipe of Khudi Hydropower Project.

Nyadi Hydropower Limited

Nyadi Hydropower Limited is registered as a public limited company and was incorporated to develop the 20 MW Nyadi Hydropower Project located in Lamjung District. The project has been reoptimized at 30 MW installed capacity. The Corporate Office of the NHL is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

The Project has constructed an 8 km long access road to powerhouse site which is being used by the local communities and the project. A 52 m span Bailey bridge has been installed over Marshyangdi river to access the project site. An online discharge measurement system has also been installed at the site. Slope stabilization work, drainage construction and bioengineering works have been carried out along the access road, especially at locations which are more prone to landslides. Pre-qualification of contractors for civil, hydro-mechanical and electromechanical packages have been completed.

IEE approval has been obtained for 30 MW capacity. Power Purchase Agreement (PPA) is in progress. Following finalization of Hydrology and Energy table, Grid Connection Agreement and cost locking of the project has also been signed with NEA.

NHL obtained the Generation License on 14 Feb, 2013. Beside this, NHL also obtained a Bridge Gap Loan from Everest Bank Limited to carry

PROJECT FACT SHEET

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

Project Location:

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

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

Installed Capacity: 30 MW

Annual Energy Generation: 168.50 GWh

Design Discharge: 11.02 Cumec at Q40

Gross head: 333.90 m

Head Race Tunnel: 3937 m

Power Evacuation: Inter-connection will be made to the Marshyangdi Corridor Transmission line planned by NEA at Khudi Hub.

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

Headworks Site is 5 km further away from Power house.

out the pre-construction related works. Construction of canal to tap Siuri tailrace water has been completed to divert the tailrace water into intake of NHP.

- Preparation of EIA report for Transmission line is completed and Public hearing will be conducted soon.
- Most of the land required for the project has already been purchased. The leasing of Government land, required for the project, is under process.
- Preparation of detail design and tender documents has already been completed.
- Half of the NHL land at housing area has been fenced with barbed wire and concrete poles.



Powerhouse location of 30 MW Nyadi Project.



Fabrication works at NHE Workshop, Butwal.

Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) is a subsidiary of Butwal Power Company (BPC). It was established in 2042 B.S. and current shareholding structure is:

SHAREHOLDERS	SHAREHOLDING %
Butwal Power Company Ltd.	51.301
IKN Industrial AS, Norway	46.907
Butwal Technical Institute	1.075
Himal Hydro & General Construction Ltd.	0.717

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

NHE's major project accomplishments are Andhikhola 5.1 MW, Jhimruk 12 MW, Puwakhola 6.2 W; Khimti 1 60 MW, Modi 14 MW, Chilime 20 MW, Kaligandaki 'A' 144 MW, Khudi 4 MW, Middle Marsyangdi 70

MW, 2.4 MW Lower Mai, 5 MW Siuri, 9.6 MW Siprin Hydropower, 30 MVA 132/33kV Chandranigahpur, 2x45 MVA 132/66 kV Parwanipur, 63 MVA 132/33 kV Butwal and NEA ADB funded Butwal-Kohalpur 132/33 kV Corridor Substation Projects.

The company posted a total sales turnover of NPR 405.7 million during the FY 2070-71.

The major ongoing Projects in the Company are BPC 9.4 MW Andhikhola (Upgrading), NEA 30 MW Chameliya Project HM & EM Equipment Works, 14.5 MW Sanjen (Upper) and 42.5 MW Sanjen Projects HM Equipment Works, Two permanent steel bridges of each 45 meter span for 111 MW Rasuwagadhi Project, NEA WB funded 144 MW Kali Gandaki A Rehabilitation Project (Turbine Repairing), NEA ADB funded 132kV/33, 30 MVA Lamahi - Ghorahi and 132/66 kV Chapali (Phase 2) Substation Projects.



NHE has been re-certified an ISO 9001:2008 Company in September 2014, the validity of which is up to September 2017. The Management has developed very good relationship with the employees and the Unions and this has helped maintain industrial harmony and peace within the company. Timely discussions and addressing of problems and grievances has also helped increase employee productivity and foster mutual respect and dignity.

BPC Services Limited

BPC Services Limited (BPCSL), a subsidiary company of BPC established in 2006, is a pioneer in providing quality services for Operation and Maintenance Management of Power Plant, Distribution and Transmission system in Nepal.

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

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

BPCSL's incurred a loss of NPR 0.5 million after tax in the FY 2070-71. The net worth of BPCSL as on July 16, 2014 stands at NPR 9.2 million.

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector, for which the Government of Nepal (GoN) and Independent Power Producers (IPPs) are working together for

more effective results. The development of this sector has necessitated the dire need of expertise for successful operation and maintenance (O&M) of the power plants for sustainability and yielding the desired return on investment. This creates a good market opportunity for the company who can provide operation and maintenance services to hydropower plants. BPCSL has acquired sound experience and excellent expertise in operation and maintenance (O&M) of hydropower plants and is the only of its kind in the nation that has the competency of providing similar services to upcoming projects of any capacity. BPCSL has been aiming to capture such market opportunity and be in a position to cater their needs from the construction to testing & commissioning and OMM.

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



Kabeli Energy Limited

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

This project utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharged into Tamor River after power generation. The gross head of the project is 118.8 m and the design discharge based at 40 percentile flow in the river is 37.73 m³/s. The project will have an installed capacity of 37.6 MW and will generate 205 GWh energy annually. The project area is accessible through Mechi Highway. The headworks and powerhouse are accessible by 7.5 km and 14.5 km access road respectively from Mechi Highway. Project Development Agreement with Government of Nepal (GoN) for development of the project on Build-own-operate-Transfer (BooT) basis was signed in January 2010, and is being executed. The updated Feasibility study of the project has been completed and approved by GoN.

Kabeli Energy Limited has already completed the detail design of the project. Kabeli Energy

PROJECT FACT SHEET

Project type: Peaking Run of-river (PRoR)

Project Location: Head Woks site- Dhuseni area of Amarpur VDC-5 of Panchthar on the left bank and Thechambu VDC-5 of Taplejung.

Power House site- Pinase, Amarpur VDC-9 of Panchthar District.

Installed Capacity: 37.6 MW

Annual energy generation: 205.15 GWh

Design discharge: 37.73 m³/sec at Q40

Gross Head: 118.8 m

Head Race Tunnel: 4327 m

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

Headworks - 7.5 km from Mechi highway

Powerhouse – 14.5 km from Mechi highway

Limited has also involved different panel of experts during the study period in the different aspects of the project. Following the Invitation for the tender of different contracts like Civil, Hydro-mechanical and Electromechanical bidders have already submitted their bids for respective contracts and bid evaluation process is in final stage and negotiation is ongoing. Tata Consulting Engineers Limited has been appointed as Owner's Engineer for the construction supervision works.

The Dam Safety Plan has complied with the operational policy requirement of World Bank. Loan agreement between Kabeli Energy Limited and International Finance Corporation has been signed on July 23, 2014. Furthermore the Financing Agreement between Government of Nepal and IDA and Project Agreement between IDA and Kabeli Energy Limited have been negotiated and initialized, subsequently on November 7, 2013

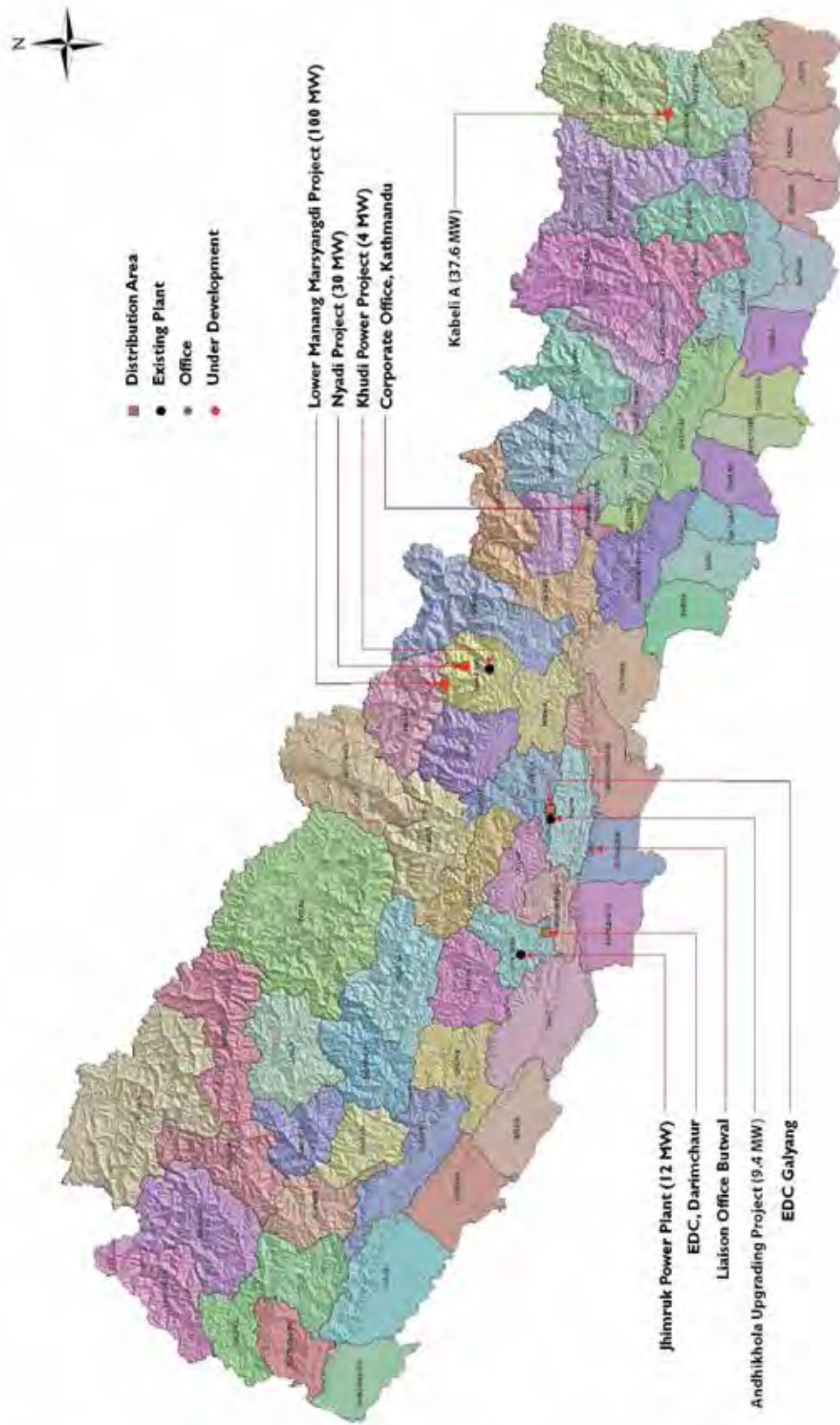
loan agreement has been signed on November 24 2014. In the FY 2071-72, KEL plans to complete upgrading work of access road, staff colony, remaining land procurement works, and connection agreement with NEA. Also, plan is underway to address the mitigation measures indicated in approved EMP/SAP.

KEL has established a nursery for production of seedlings of different plant species which are useful for bio-engineering and livelihood enhancement activities. Corporate Social Responsibility is a key tool to make good rapport and create an enabling environment for project implementation and execution. Thus support towards village school construction has been provided along with the construction of 4000 liter capacity water tank for the locals.



Model of Kabeli project at Hydro Lab.

OUR PRESENCE





financial
statements
2014



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

1. We have audited the accompanying financial statements of Butwal Power Company Ltd., which comprise the Balance Sheet as at Ashad 32, 2071, (July 16, 2014) and the related, Income Statement, Statement of Change in Equity, Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

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

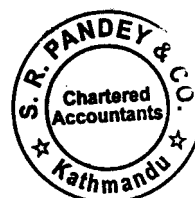
policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. On the basis of our examination, we would like to report that:
 - i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
 - ii. The Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
 - iii. The Balance Sheet, Profit and Loss Account, Cash Flow Statement and attached Schedules dealt with by this report are in agreement with the books of account maintained by the Company.
 - iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
 - v. We have not come across any fraudulence in the accounts.
5. In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashad 32, 2071 (July 16, 2014), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Accounting Standards and comply with Company Act 2063.

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



CA. Sudarshan Raj Pandey
Partner

Place: Kathmandu
Date: 2071.08.19 (05 December, 2014)

STATEMENT OF FINANCIAL POSITION

As on 32 Ashadh 2071 (16 July 2014)

		(in NPR)	
Particulars	Schedule	2070/71 NPR	2069/70 NPR
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	1,673,222,700	1,015,269,400
Reserve & Surplus	2	1,586,275,334	1,501,021,895
Total Shareholder's Fund		3,259,498,034	2,516,291,295
2 Grant Aid in Reserve	3	199,572,524	207,829,541
3 Long Term Loan	4	873,509,595	838,452,833
TOTAL		4,332,580,153	3,562,573,670
II APPLICATION OF FUND			
1 Non-Current Assets			
Property, Plant & Equipment	5		
Gross Block		2,311,680,036	2,298,153,111
Less: Depreciation		879,220,414	790,431,041
Net Block		1,432,459,622	1,507,722,070
Assets Held for Sale		3,170,203	3,170,203
Work in Progress	6	1,316,474,614	860,112,768
Investment in Share	7	1,222,090,563	1,082,501,219
Total Non- Current Assets		3,974,195,001	3,453,506,260
2 Current Assets:			
Stocks	8	56,911,986	35,956,105
Debtors & Accounts Receivable	9	335,947,656	276,274,595
Cash in Hand and at Bank	10	202,038,606	252,087,046
Advance & Deposit Paid	11	289,949,798	288,572,225
Total Current Assets		884,848,046	852,889,971
3 Less: Current Liabilities			
Short Term Loan		126,306,177	397,471,674
Creditors & Accounts Payable	12	364,246,632	277,761,444
Advance & Deposit Received	13	2,535,073	3,113,910
Provisions	14	25,411,632	39,312,790
Total Current Liabilities		518,499,514	717,659,818
Net Current Assets		366,348,532	135,230,153
4 Deferred Tax Liabilities		7,963,380	26,162,743
5 TOTAL		4,332,580,153	3,562,573,670

Schedule 1 to 14 form an integral part of this financial statement.

Radheshyam Shrestha
Vice President- Finance

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Ratna Sansar Shrestha, FCA
Director

Pradeep Kumar Shrestha
Director

Rajib Rajbhandari
Director

Bijaya Krishna Shrestha
Director

Shyam Kishor Yadhav
Director

Chandi Prasad Shrestha
Director

As per our report of even date

Sudarshan Raj Pandey
SR Pandey & Co.

Divakar Vaidya
Director

Chartered Accountants

Date: 2071.08.19 (05 December, 2014)
Place: Kathmandu, Nepal

STATEMENT OF INCOME

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

(in NPR)

Particulars	Schedule	2070/71	2069/70
OPERATING INCOME			
Electricity Sale to NEA		289,298,549	409,020,365
Electricity Sale to Consumers	15	108,509,856	94,537,323
Electricity Services	16	6,298,792	8,549,332
Total Operating Income		404,107,197	512,107,020
OPERATING EXPENSES			
Generation Expenses	17	261,784,666	242,826,067
Distribution Expenses	18	62,806,580	68,332,890
Total Operating Expenses		324,591,246	311,158,958
GROSS OPERATING PROFIT		79,515,951	200,948,062
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	19	108,299,967	115,469,411
Depreciation	5	90,041,717	70,689,855
Provision for Loss/(Income) in Investment	20	(4,968,919)	(7,307,016)
Interest on Loan		50,412,966	48,461,275
Total Administrative and Other Expenses		243,785,731	227,313,524
INCOME FROM OTHER SOURCES			
Interest Income		35,133,792	28,521,560
Other Income	21	11,813,678	7,204,073
Depreciation Being Revenue Portion of Grant Aid		11,505,691	11,187,631
Dividend Income		393,615,406	241,408,453
Foreign Currency Exchange Gain/(Loss)		1,204,198	6,586,260
Gain/(Loss) on Disposal of Assets & Stock Materials	22	2,277,007	1,254,428
Total Income From Other Sources		455,549,772	296,162,404
PROFIT (LOSS) BEFORE BONUS & TAX		291,279,992	269,796,942
Employees's Bonus		5,711,372	5,290,136
Provision for Corporate Tax		-	7,901,648
Deferred Tax Expenses/(Income)		(18,199,363)	12,720,815
NET PROFIT (LOSS) BEFORE APPROPRIATION		303,767,983	243,884,343
Last Years Balance		843,145,281	853,601,915
Profit for this Fiscal Year		303,767,983	243,884,343
Total		1,146,913,264	1,097,486,258
Less: Dividend Paid		(182,748,492)	(253,817,350)
Total Dividend		(182,748,492)	(253,817,350)
Prior Years Adjustment		(26,230,503)	(523,627)
Balance Transferred to Financial Position		937,934,269	843,145,281
Earnings per share- Basic		19.75	24.02
Earnings per share- Diluted		19.75	24.02
Significant Accounting Policies & Notes to Accounts	23		

Schedule 15 to 22 form an integral part of this financial statement.

Radheshyam Shrestha
Vice President- Finance

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Ratna Sansar Shrestha, FCA
Director

Pradeep Kumar Shrestha
Director

Rajib Rajbhandari
Director

Bijaya Krishna Shrestha
Director

Shyam Kishor Yadhav
Director

Chandi Prasad Shrestha
Director

As per our report of even date

Sudarshan Raj Pandey
SR Pandey & Co.

Divakar Vaidya
Director

Chartered Accountants

Date: 2071.08.19 (05 December, 2014)

Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

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

Particulars	(in NPR)					
	Share Capital	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	2070/71
Balance as on 31st Ashadh, 2070	1,015,269,400		509,176,615	148,700,000	843,145,281	2,516,291,295
Adjustment for the Year	657,953,300	11,006,400	(20,541,950)			648,417,750
Dividend of FY 2069/70 paid					(182,748,492)	(182,748,492)
Profit for the Year					303,767,983	303,767,983
Prior Year's Adjustment					(26,230,503)	(26,230,503)
Balance as on 32nd Ashadh, 2071	1,673,222,700	11,006,400	488,634,665	148,700,000	937,934,269	3,259,498,034

For the year ended 31 Ashadh 2070 (15 July 2013)

Particulars	(in NPR)					
	Share Capital	Share Premium	Revaluation Reserve	General Reserve	Retained Earnings	2069/70
Balance as on 31st Ashadh, 2069	1,015,269,400		692,606,917	148,700,000	853,601,915	2,710,178,232
Adjustment for the Year	-	-	(183,430,303)			(183,430,303)
Dividend of FY 2068/69 paid					(253,817,350)	(253,817,350)
Profit for the Year					243,884,343	243,884,343
Prior Year's Adjustment					(523,627)	(523,627)
Balance as on 31st Ashadh, 2070	1,015,269,400	-	509,176,615	148,700,000	843,145,281	2,516,291,295

STATEMENT OF CASH FLOW

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

Particulars	2070/71	2069/70
Cash Flows from Operating Activities:		
Profit (Loss) before Bonus and Tax	291,279,992	269,796,942
Adjustment for:		
Ordinary Depreciation	78,536,026	59,502,224
Depreciation Charged to Grant Aid in Reserve	11,505,691	11,187,631
Foreign Currency Exchange (Gain)/Loss	(1,204,198)	(6,586,260)
Interest Expenses	50,412,966	48,461,275
Interest Received	(35,133,792)	(28,521,560)
Dividend Received	(393,615,406)	(241,408,453)
Provision on Loss/(income) in Investment	-	(521,504)
Provision for Expenses	(5,999,510)	8,942,773
(Gain)/Loss on disposal of Stock	(2,277,007)	(1,254,428)
Deferred Revenue Expenses	-	5,704,253
Written off of Assets	6,428,838	28,627,495
Operating Profit before Working Capital Changes	(66,401)	153,930,389
Decrease/(Increase) in Debtors & Accounts Receivable	(59,673,061)	7,351,027
Decrease/(Increase) in Stocks	(18,678,874)	8,154,860
Decrease/(Increase) in Advance & Deposit Paid	(3,525,254)	46,777,762
Increase/(Decrease) in Creditors & Accounts Payable	76,288,430	96,315,344
Increase/(Decrease) in Advance & Deposit Received	(578,837)	(2,253,667)
Cash Generated from Operations	(6,233,996)	310,275,715
Interest Paid	(50,412,966)	(48,461,275)
Foreign Currency Exchange Gain/(Loss)	1,204,198	6,586,260
Bonus Paid	(5,290,136)	(11,400,409)
Tax Paid	(5,753,967)	(4,562,471)
Prior year Adjustment	(26,230,503)	(523,627)
Net Cash Flows from Operating Activities (A)	(92,717,369)	251,914,193
Cash Flows from Investing Activities:		
Purchase of Property, Plant and Equipment	(41,750,057)	(247,082,417)
Assets Held for Sale	-	(3,170,203)
Investment in Share	(139,589,344)	(83,213,747)
Decrease/(Increase) in Work-in-Progress	(456,361,845)	(452,724,626)
Interest Received	35,133,792	28,521,560
Dividend Received	393,615,406	241,408,453
Net Cash Flows from Investing Activities (B)	(208,952,048)	(516,260,981)
Cash Flows from Financing Activities:		
Increase/(Decrease) in Share Capital	657,953,300	-
Increase/(Decrease) in Share Premium	11,006,400	-
Increase/(Decrease) in Grant Aid in Reserve	(8,257,017)	(5,397,532)
Increase/(Decrease) in Long Term Loan	35,056,762	306,653,376
Increase/(Decrease) in Short Term Loan	(271,165,496)	152,449,890
Dividend Paid	(172,972,970)	(260,068,957)
Net Cash Flows from Financing Activities (C)	251,620,978	193,636,777
Net Changes in Cash & Cash Equivalents (A+B+C)	(50,048,439)	(70,710,011)
Opening Cash and Cash Equivalents	252,087,046	322,797,057
Closing Cash and Cash Equivalents	202,038,606	252,087,046

Schedules to the Statement of Financial Position & Income

Fiscal Year 2070/71 (2013/2014)

Share Capital

Schedule No. 1
(in NPR)

Particulars	2070/71	2069/70
Authorised Capital:		
80,000,000 Shares of Rs.100/- each	8,000,000,000	8,000,000,000
Issued Capital		
17,000,000 Shares of Rs.100/- each	1,700,000,000	1,700,000,000
Paid up Capital:		
16,732,227 Shares at face value of Rs. 100/- each		
Government of Nepal	153,822,300	92,293,400
Shangri-La Energy Ltd.	1,166,735,000	700,041,000
IKN Nepal A.S., Norway	102,339,700	61,403,800
United Mission to Nepal	28,339,500	28,339,500
Nepal Electricity Authority	17,871,500	10,722,900
NIDC Development Bank Limited	1,016,800	610,100
General Public/Employees	203,067,300	121,840,400
Purna Prasad Adhikari	10,200	6,100
Balaram Pradhan	10,200	6,100
Suman Basnet	10,200	6,100
Total	1,673,222,700	1,015,269,400

Reserve and Surplus

Schedule No. 2
(in NPR)

Particulars	2070/71	2069/70
General Reserve	148,700,000	148,700,000
Revaluation Reserve	488,634,665	509,176,615
Share Premium Account	11,006,400	-
Retained Earnings	937,934,269	843,145,281
Total	1,586,275,334	1,501,021,895

Grant Aid in Reserve

Schedule No. 3
(in NPR)

Particulars	2070/71	2069/70
NORAD Grant for JHEREP II A - R.E.	11,369,829	12,633,143
UMN PCS Assistance for Rural Electrification	21,897,579	23,492,098
USAID Grant for Rural Electrification	12,866,230	14,255,103
USAID Support for REGDAN	13,198,459	13,938,042
JRP Grant for Enhancement of Power Plant	6,542,133	6,895,494
NMFA Support for REEP	87,475,336	91,739,071
KADOORI VDC	1,656,944	1,535,060
Udaypurkot VDC	668,501	701,769
Dhungegadhi VDC	1,548,374	1,624,886
Hansapur VDC	2,438,702	2,554,611
Dhakabang VDC	5,835,131	6,101,042
Bhingree VDC	911,356	954,073
Markabang VDC	57,866	60,808
Dharampani VDC	499,099	524,473
Aladi VDC	3,734,848	3,911,222
Kalikakot VDC	3,922,991	4,046,835
Banethok Deurali VDC	2,300,555	2,409,205
Sorek VDC	374,613	393,296
Tindobate VDC	296,600	310,813
Sekham VDC	407,304	427,755
Darchha VDC	1,597,750	1,671,531
Rampur VDC	958,721	494,957
Heklang VDC	1,663,372	1,733,695
Kuwakot VDC	71,147	74,590
Gejha VDC	94,145	98,701
Walling (Pension Camp)	36,544	38,312
Sirsekot VDC	67,420	70,682
Dhapuk VDC	272,330	284,651
Nepal Telecom (Banethok)	93,749	98,285
Sakhar VDC	441,879	462,554
Gandakot VDC	2,789,658	2,749,729
Narange DWP, Pakala	850,889	892,054
Sari VDC	567,356	593,368
NEPAL TELECOM, Pyuthan	341,174	356,899
Bangesal VDC	3,029,870	3,168,130
DDC- Arghakhanchi	2,480,400	2,600,400
Pelakot	51,079	53,436
Kalikakot (NCELL)	299,730	172,695
Spice Nepal Pvt. Ltd. (Pyuthan)	1,156,570	1,207,885
Tiram VDC	114,294	119,568
Hungi (Ncell)	98,400	102,741
Pakawadi	17,862	18,650
Gejha (Ncell)	60,725	63,404
Thumpokara (Ncell)	154,337	161,146
Walling (Ncell)	222,189	231,992
Khaliban	4,918	5,136
Barjibang VDC	333,920	348,383
Walling Municipality	79,423	13,267
Jagat Bhanjyang	39,994	41,660
Ratnapur	5,431	5,657
Dharapani VDC	1,398,857	934,961
Dangbang VDC	2,079,098	451,625
Pelakot (N-Cell)	96,845	-
Total	199,572,524	207,829,541

Long Term Loan

Schedule No. 4
(in NPR)

Particulars	2070/71	2069/70
NIC Asia Bank Limited	196,265,412	245,928,803
Mega Bank Nepal Limited	285,179,651	98,858,000
International Finance Corporation (IFC)	508,232,043	542,651,128
Sub Total	989,677,107	887,437,931
Less:	-	-
Principal Payable Within One Year	(116,167,511)	(48,985,097)
Sub Total	(116,167,511)	(48,985,097)
Total	873,509,595	838,452,833

Property, Plant and Equipment

Schedule No. 5

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	'As at 31st Ashadh, 2070	Addition during the Year	Adjustment during the Year	As at 32nd Ashadh, 2071	As at 31st Ashadh, 2070	Adjustment during the Year	Provided during this Year	As at 32nd Ashadh, 2071 NPR	As at 31st Ashadh, 2070 NPR
Group A : Property and Power Plant:									
i: BPC Funded Asset									
Land	70,695,961	752,170	-	71,448,131	-	3,234,775	414,168	67,799,188	70,695,961
Guesthouse,Stores,Offices,Quarters	216,851,400	10,357,109	(1,489,580)	225,718,930	21,356,517	(1,255,979)	10,330,025	195,288,366	195,494,883
Power Plant Electro-Mechanical Equipment	322,651,752	-	333,373	322,985,125	204,000,223	40,005	12,919,405	106,025,492	118,651,529
Power Plant Civil Works	308,698,477	-	-	308,698,477	230,754,981	-	12,343,132	65,600,363	77,943,495
Switching & Sub Station	11,883,781	-	-	11,883,781	1,509,111	-	475,351	9,899,319	10,374,670
Transmission & Distribution Line	372,275,001	5,724,203	(1,006,131)	376,993,073	181,312,067	(42,296)	14,475,910	181,247,392	190,962,934
Capital Stock	12,209,478	-	119,797	12,329,275	864,261	2,291	493,162	10,969,561	11,345,217
Sub - Total i	1,315,265,850	16,833,482	(2,042,542)	1,330,056,791	639,797,161	1,978,796	51,451,153	636,829,681	675,468,689
ii: Grant Aided Asset									
Transmission & Distribution Line	237,141,703	3,346,492	-	240,488,194	67,585,753	-	9,485,667	163,416,774	169,555,950
Power Plant Electro-Mechanical Equipment	15,574,320	-	-	15,574,320	7,734,816	-	622,973	8,357,789	7,839,504
Switching & Sub Station	33,703,548	-	-	33,703,548	4,883,470	-	1,348,142	27,471,936	28,820,078
Land	1,614,010	-	-	1,614,010	-	97,818	48,909	1,467,283	1,614,010
Sub - Total ii	288,033,580	3,346,492	-	291,380,072	80,204,039	97,818	11,505,691	199,572,524	207,829,541
Total A (i+ii)	1,603,299,430	20,179,974	(2,042,542)	1,621,436,862	720,001,199	2,076,614	62,956,844	836,402,204	883,298,231
Group B: Office Equipment & Furniture									
i: BPC Funded Asset									
Computer & Accessories	20,810,827	1,926,403	(2,009,852)	20,727,378	11,834,930	(1,523,086)	2,282,017	8,133,517	8,975,897
Furniture & Fixture	27,480,450	4,921,028	(134,134)	32,267,345	4,998,265	(68,124)	5,689,290	21,647,914	22,482,185
Office Equipment	72,203,458	12,695,349	(1,349,446)	83,549,361	15,012,350	(1,084,976)	14,822,649	54,799,339	57,191,108
Sub - Total i	120,494,734	19,542,781	(3,493,431)	136,544,084	31,845,545	(2,676,186)	22,793,956	84,580,769	88,649,190
ii: Grant Aided Asset									
Office Equipment	-	-	-	-	-	-	-	-	-
Sub - Total ii	-	-	-	-	-	-	-	-	-
Total B (i+ii)	120,494,734	19,542,781	(3,493,431)	136,544,084	31,845,545	(2,676,186)	22,793,956	84,580,769	88,649,190
Group C: Vehicle									
Vehicles	49,684,932	900,000	(1,968,971)	48,615,961	29,095,305	(527,382)	3,286,664	16,761,374	20,589,627
Group D: Workshop Plant and Equipment									
Workshop Plant & Equipment	12,913,435	-	(143,238)	12,770,197	8,636,510	(92,389)	646,119	9,190,239	4,276,925
Construction Equipment	50,000	-	-	50,000	47,278	-	408	2,314	2,722
Other Office Equipment & Tools	553,201	-	-	553,201	373,141	-	-	180,060	180,060
Total D	13,516,636	-	(143,238)	13,373,398	9,056,928	(92,389)	646,527	3,762,332	4,459,707
Group E: Intangible Assets									
Computer Software	1,980,764	1,127,302	(33,000)	3,075,066	432,064	(33,000)	357,725	2,318,277	1,548,700
Grand Total (A+B+C+D+E)	1,788,976,496	41,750,057	(7,681,181)	1,823,045,372	790,431,041	(1,252,343)	90,041,717	943,824,957	998,545,455
Total Asset BPC Funded	1,500,942,916	38,403,565	(7,681,181)	1,531,665,300	710,227,002	(1,350,161)	78,536,026	744,252,433	790,715,913
Total Asset Grant Aided	288,033,580	3,346,492	-	291,380,072	80,204,039	97,818	11,505,691	199,572,524	207,829,541
Revalued Asset:									
Land	224,139,088	-	(9,025,000)	215,114,088	-	-	-	215,114,088	224,139,088
Building	39,576,988	-	(1,626,000)	37,950,988	-	-	-	37,950,988	39,576,988
Power Plant & Machinery	245,460,539	-	(9,890,950)	235,569,589	-	-	-	235,569,589	245,460,539
Revalued Total Asset	509,176,615	-	(20,541,950)	488,634,665	-	-	-	488,634,665	509,176,615
Grand Total with revalued asset	2,298,153,111	41,750,057	(28,223,131)	2,311,680,036	790,431,041	(1,252,343)	90,041,717	1,432,459,622	1,507,722,070

Work in Progress

Schedule No. 6
(in NPR)

Particulars	2070/71	2069/70
A: Capital Work in Progress:		
BPC New Office Building	4,103,326	-
Infrastructure Facility	146,335	146,335
Staff Quarters	39,556	-
Sub Total	4,289,217	146,335
B: Project Work in Progress:		
Andhikhola Upgrading	1,162,221,251	724,768,149
Lower Manang Marshyangdi HEP	149,605,446	135,169,785
Chino Khola SHP	45,200	-
Consultancy Expenses (Software)	313,500	28,500
Sub Total	1,312,185,397	859,966,433
Total	1,316,474,614	860,112,768

Investment in Shares (unlisted companies)

Schedule No. 7
(in NPR)

Particulars	2070/71	2069/70
A: Shares are at Cost Price		
Himal Power Limited	434,931,461	434,931,461
Nepal Hydro & Electric Limited	71,580,000	71,580,000
Hydro Lab (P) Limited	1,000,000	1,000,000
Khudi Hydropower Limited	50,400,000	50,400,000
Khudi Hydropower Limited (Preference Share)	57,600,000	57,600,000
BPC Services Limited	10,000,000	10,000,000
Nyadi Hydropower Limited	243,050,000	243,050,000
Jumdi Hydropower Co. Limited	639,500	639,500
Kabeli Energy Limited	54,000,000	54,000,000
Hydro-Consult Engineering Limited	9,422,800	9,422,800
Gurans Energy Limited	16,600,000	16,600,000
Sub Total	949,223,761	949,223,761
B: Advance/Investment toward Share		
Khudi Hydropower Limited	20,350,000	20,350,000
Nyadi Hydropower Limited	55,550,000	-
Kirne HEP	41,566,507	42,241,707
Kabeli Energy Limited	224,979,257	145,233,632
Sub Total	342,445,764	207,825,339
Gross Investment	1,291,669,525	1,157,049,100
Less: Provision		
Khudi Hydropower Limited	(22,903,008)	(32,082,630)
BPC Services Limited	(769,298)	(223,544)
Kirne HEP	(41,566,507)	(42,241,707)
Gurans Energy Limited	(4,340,150)	-
Total Provision	(69,578,962)	(74,547,881)
Net of Provision	1,222,090,563	1,082,501,219

Stocks

Schedule No. 8
(in NPR)

Particulars	2070/71	2069/70
General Stock/Office Supplies/Consumer Service Item	11,792,639	7,660,737
Stock of Electric Goods	3,465,732	3,153,218
Power House Equipment	26,253,686	11,054,610
T/L & D/L Stock	8,866,211	11,988,907
Steel Stock	180,756	193,730
GI Fittings	138,163	86,527
Vehicle Spareparts	120,668	122,354
Other Stock	6,094,130	1,696,023
Total	56,911,986	35,956,105

Debtors & Accounts Receivable

Schedule No. 9
(in NPR)

Particulars	2070/71	2069/70
Sundry Debtors	697,414	1,063,080
Nepal Electricity Authority	55,616,694	13,293,038
NEA Receivable (more than 2 years)	-	5,228,843
Local Consumers	9,559,898	7,916,005
Other Receivables	3,018,699	2,545,910
Accrued Interest	64,309,738	42,630,605
Retention Receivable	-	30,000
Sulav Co-operative Society Limited	20,340	20,340
VAT Receivable	1,938,078	1,168,660
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	11,777,996	11,456,656
BPC Services Limited	6,698,546	6,650,280
Nyadi Hydropower Limited	53,736,064	53,424,872
BPC - HES - WRC Joint Venture	-	28,148
Kabeli Energy Limited	128,574,188	130,818,158
Total	335,947,656	276,274,595

Cash in Hand and at Bank

Schedule No. 10
(in NPR)

Particulars	2070/71	2069/70
Office Cash	155,324	459,592
Current Bank A/c	10,945,950	14,521,200
US Dollar A/c	1,185,556	8,929,570
Call/Time/Fixed Deposit	184,286,739	227,049,589
US Dollar Deposit	5,465,037	1,127,095
Total	202,038,606	252,087,046

Advance & Deposit Paid

Schedule No. 11
(in NPR)

Particulars	2070/71	2069/70
Advance Income Tax	18,570,023	20,717,704
Loan & Advance to Staff	292,371	828,672
Gratuity Fund in CIT	109,016,841	96,377,664
Deposits (Others)	879,550	1,162,146
Various Advances	12,195,483	3,542,359
Prepaid Expenses	327,962	602,443
SCP Hydro International, Canada	4,639,481	4,639,481
Andhikhola Upgrading Project Advances/Deposits	34,968,450	52,318,063
L/C Related Advances	100,726	2,279,782
Deposit against Tax Administrative Review	101,992,910	101,992,910
Government Deposits	6,966,000	4,111,000
Total	289,949,798	288,572,225

Creditors & Accounts Payable

Schedule No. 12
(in NPR)

Particulars	2070/71	2069/70
Sundry Creditors	80,152,725	30,907,094
Gratuity Fund Payable	119,542,960	105,904,580
Bonus Payable	5,711,372	5,290,136
Loyalty Bonus Fund	-	1,152,000
Retention Payable	12,107,630	18,780,578
Andhikhola Upgrading Project Payable/Retention	67,879,840	76,027,953
Audit Fee Payable	273,460	248,600
Royalty Payable	30,636,392	1,889,627
TDS Payable	3,994,792	3,986,216
Dividend Payable	20,805,191	11,029,669
Employees Accounts Payable	8,776,319	8,163,584
Welfare Fund Clearing A/C	2,191,240	984,718
CIT Clearing A/C	-	2,933
PF Clearing A/C	-	4,530
Subsidiaries and Joint Venture:		
Nepal Hydro & Electric Limited	9,660,052	8,541,432
Hydro-Consult Engineering Limited	2,514,659	4,847,795
Total	364,246,632	277,761,444

Advance & Deposit Received

Schedule No. 13
(in NPR)

Particulars	2070/71	2069/70
Customer Deposit	49,897	133,950
Security Deposit	478,560	141,685
Advance Received From NMFA	-	614,047
Advance Received from DDC and VDC	1,762,880	1,480,628
Scholarship Fund	203,600	743,600
Miscellaneous Deposits	40,136	-
Total	2,535,073	3,113,910

Provisions

Schedule No. 14
(in NPR)

Particulars	2070/71	2069/70
Corporate Tax for the Year	-	7,901,648
Corporate Tax for 2060/61 (under Appeal)	16,774,216	16,774,216
Provision for Expenses	8,617,076	8,481,330
Provision for Cash Loss	-	252,097
Provision for Doubtful Debt	20,340	5,903,500
Total	25,411,632	39,312,790

Electricity Sale to Consumers

Schedule No. 15
(in NPR)

Particulars	2070/71	2069/70
Metered Consumers	90,855,192	78,098,706
Unmetered Consumers	255,655	323,289
Industrial Consumers etc.	15,868,982	14,226,091
User's Organization	1,530,027	1,889,236
Total	108,509,856	94,537,323

Electricity Services - Income

Schedule No. 16
(in NPR)

Particulars	2070/71	2069/70
Fee and Charges	1,531,540	1,361,175
Sale of Meter/Cutout & Accessories	4,767,251	7,188,157
Total	6,298,792	8,549,332

Generation Expenses

Schedule No. 17
(in NPR)

Particulars	2070/71	2069/70
Electricity Purchase	130,632,070	94,751,509
Staff Cost	33,982,368	37,776,292
Office Overhead	5,460,755	6,436,597
Vehicle Operation & Maintenance	1,376,124	1,504,960
Environment, Community & Mitigation	3,636,500	1,386,236
Consultancy Expenses	3,538,282	-
Mitigation (River Training)	11,161,144	1,369,713
Mitigation (JDMP)	-	409,729
Power Plant Operation & Maintenance	26,261,909	8,854,320
Deferred Expense - Mitigation Works	-	5,251,132
Insurance	5,450,696	7,887,284
Royalty	39,780,748	52,626,946
Transmission Line Repair & Maintenance	320,660	279,018
Expenses Written Off	183,410	24,292,331
Total	261,784,666	242,826,067

Distribution Expenses

Schedule No. 18
(in NPR)

Particulars	2070/71	2069/70
Staff Cost	34,450,147	34,732,791
Office Overhead	4,555,768	4,810,154
Vehicle Operation & Maintenance	1,751,478	2,577,631
T/L Maintenance	220,620	223,796
D/L Network Operation & Maintenance	13,350,669	11,956,220
Subsidy on sales of meter	191,025	293,607
Cost of Sale	4,928,182	7,199,515
Insurance	439,239	749,630
Royalty	2,855,644	4,893,740
Expenses Written Off	63,808	895,806
Total	62,806,580	68,332,890

Schedule No. 19
(in NPR)

Administrative Expenses

Particulars	2070/71	2069/70
A: CEO's Remuneration and Expenses	1,207,200	6,901,074
B: Staff Cost:		
Salary	22,143,857	21,103,005
Allowance	17,055,595	17,383,835
Provident Fund	2,029,837	2,013,899
Paid Leave	1,909,656	3,378,107
Daily Wage	16,452	14,700
Overtime	767,579	1,535,715
Gratuity	8,173,833	3,167,569
Insurance	587,504	488,721
Festival Allowance	1,765,504	1,793,448
Performance Allowance	2,909,473	2,606,952
Sub-total	57,359,289	53,485,951
C: Office Overhead:		
General Office Overhead	31,573,150	24,706,665
Training and Development	3,128,584	1,064,623
CSR Expenses	338,929	683,683
External Audit Fee and Expenses	481,691	553,157
Internal Audit Fee and Expenses	682,537	681,627
ISO and Other Audit Fee and Expenses	1,559,437	1,045,443
Board Meeting Expenses	1,358,396	1,273,764
AGM Expenses	351,107	411,541
Vehicle O & M Expenses	(0)	314,527
Consultancy Expenses	3,227,879	5,159,134
Out Sourcing Service	1,244,086	1,006,744
Legal Expenses	840,197	988,814
Share Registrar/Related Expenses	1,604,876	550,295
Listing Fee/Renewal Expense	-	50,000
Insurance and Property Taxes	2,313,980	2,026,499
Communication Expenses	2,191,127	2,906,121
Travel/Daily Allowance	3,086,922	5,147,562
Union Expenses	136,704	478,340
Employees Welfare	1,056,246	-
Write Off Expenses	612,893	11,577,884
Bad Debt Expenses	-	5,903,500
Loss on Project CWIP	-	928,679
Project License Fee/Renewal	-	20,000
Overhead Charged to Projects	(6,055,261)	(12,396,216)
Sub-total	49,733,478	55,082,386
Total Administrative Expenses	108,299,967	115,469,411

Provision of Loss/(Income) in Investment

Schedule No. 20
(in NPR)

Particulars	2070/71	2069/70
Khudi Hydropower Limited	(9,179,622)	(8,393,148)
Kirne HEP	(675,200)	685,463
JV of BPC/SILT	-	177,124
BPC Services Limited	545,753	223,544
Guras Energy Limited	4,340,150	-
Total	(4,968,919)	(7,307,016)

Other Income

Schedule No. 21
(in NPR)

Particulars	2070/71	2069/70
Housing Services	63,707	69,868
Guest House Income	110,045	196,570
Income from Other Sources	8,966,199	6,937,635
House Rent	2,623,727	-
Equipment on Hire	50,000	-
Total	11,813,678	7,204,073

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

Schedule No. 22
(in NPR)

Particulars	2070/71	2069/70
Sale Proceed of Stock Materials	3,346,492	6,728,789
Less: Cost of Stock Materials	(3,346,492)	(6,728,789)
Gain/(Loss) on Sale of Assets/Scrap Materials	2,277,007	1,254,428
Total	2,277,007	1,254,428

Significant Accounting Policies and Notes Relating to the Annual Account

For the Fiscal Year 2070/71 (2013/14)

1. Background

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

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

The core business of BPC include:

- Generation of Hydro electricity
- Distribution of Hydro electricity
- Project Development

The financial statements apply to the financial year ended 32nd Asadh 2071 (16th July 2014).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on December 5, 2014 (Mangsir 19, 2071). The Board of Directors acknowledges the responsibility of preparation of financial statements.

2. Basis of Presentation

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

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

3. Use of estimates

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

4. Summary of Significant Accounting Policies

A. CAPITALIZATION OF FIXED ASSETS

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

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

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

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

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

B. DEPRECIATION AND AMORTIZATION

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

C. GRANT AID IN RESERVE

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

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

D. INVENTORY

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

E. FOREIGN CURRENCY

Transactions in foreign currency are stated in terms using the exchange rate prevailing on the date of transaction. Foreign currency assets and liabilities held in foreign currency on the date of

balance sheet are given in Nepalese rupees using the buying rate of Nepal Rastra Bank on that date. Foreign currency exchange conversion differences are transferred to the profit and loss account.

F. ON-GOING CONTRACTS AND PROJECTS

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

G. RETIREMENT BENEFITS

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

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

H. PROVISION FOR EMPLOYEE BONOUSES

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

I. DIVIDEND INCOME

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

J. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

K. IMPAIRMENT OF ASSETS

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

L. DIVIDEND AND PROPOSED BONUS SHARES

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

5. Notes to the Accounts

A. PAID-UP SHARE CAPITAL

After Privatization on 15 Magh, 2059 (29 January, 2003) and following the right share issue in the ratio of 3:2 on Baisakh 2071, M/s Shangri-La Energy Limited is BPC's majority shareholder with shareholdings of 69.73%. As per the provisions of the Share Sale and Purchase Agreement, Government of Nepal (GoN) issued 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. GoN retained 9.19% shareholding. Similarly, shareholdings of IKN Nepal AS, United Mission to Nepal, NEA and NIDC comprise 6.12%, 1.69%, 1.07% and 0.06% respectively. The company is listed and is traded in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). Total paid up capital as on Asadh end 2071 stands at NPR 1,673,222,700. The company has not issued any right share for the renounced right share held in the name of United Mission to Nepal. NRs. 11 million is received from the sale of renounced shares at premium. The closing market price of the share, as on balance sheet date was NPR 859/- per share. The face value is NPR 100/- per share.

B. GRANT AID IN RESERVE

The depreciation on grant aided assets for the year of NPR 11,505,691 has been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation (in NPR)	Closing Balance (in NPR)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	11,369,829
UMN PCS contributions for rural electrification	1,594,519	21,897,579
USAID grant for rural electrification	1,388,873	12,866,230
USAID support for Rural Electrification Global Development Alliance of Nepal (REGDAN)	739,583	13,198,459
Jhimruk Rehabilitation Project grant for enhancement of power plants (JRP)	353,361	6,542,133
NFMA Support for Rural Electrification Expansion Project	4,165,917	87,475,336
Local VDC/Community	2,000,124	46,222,958
Total Grant Aid in Reserve and Assets	11,505,691	199,572,524

C. INVESTMENTS, ASSOCIATES, SUBSIDIARIES AND JOINT VENTURE

i. Investment in Shares

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

Name of company	No. of shares	Unit rate (in NPR)	Face value (in NPR)	Cost price (in NPR)	Holding (%)
Himal Power Limited	2,978,502	100	297,850,200	434,931,461	16.88
Nepal Hydro & Electric Limited	715,800	100	71,580,000	71,580,000	51.3
Khudi Hydropower Limited	504,000	100	50,400,000	50,400,000	60
Khudi Hydropower Limited (Preference Share)	576,000	100	57,600,000	57,600,000	-
Nyadi Hydropower Limited	2,430,500	100	243,050,000	243,050,000	97.22
Kabeli Energy Limited	540,000	100	54,000,000	54,000,000	54
Hydro-consult Engineering Limited (Previously HCPL)	94,228	100	9,422,800	9,422,800	80
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Hydro Lab (P) Limited	10,000	100	1,000,000	1,000,000	16.64
Jumdi Hydropower Co. Limited	6,395	100	639,500	639,500	1.61
Gurans Energy Limited	166,000	100	16,600,000	16,600,000	40

Fair Value of the Investments

The fair market value of the BPC's investment in shares in its subsidiaries and associates on equity basis as on balance sheet date has been assessed as per the financial statements of the respective companies. The difference between investment at cost and the net worth value of the companies, a total unrealized surplus on such investments amounting NPR 344.57 million has been identified as on balance sheet date. This surplus is not recognized in the financial statement.

Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057(5 July, 2000). HPL was established on 2049/11/10(21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energi AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are Statkraft, BKK and BPC. HPL sold NPR 3.568 billion worth of electricity in FY 2070/71 and has a net worth of NPR4.454 billion.

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

Nepal Hydro & Electric Limited

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

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

The turnover of the company in FY 2070/71 was NPR 405.68 million and its net worth is NPR 221.10 million.

Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 12% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

KHL sold NPR 96.280 million worth of electricity in FY 2070/71 and its net worth as of 31 Ashad 2071 was NPR 122.522 million.

Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO. BPC is planning to hold 60% shareholding by divesting remaining shares to other partners. Discussions are going on with other partners in this regard. The project has optimized installed capacity at 30 MW. The PPA process with NEA has been initiated.

Kabeli Energy Limited

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

Hydro-Consult Engineering Limited (Previously HCPL)

The engineering business unit of BPC was merged with Hydro Consult (P) Ltd. (HCPL) with effect from 1 Srawan 2066. BPC acquired 80% share of this company by transferring its engineering business assets in HCPL.

Its turnover in FY 2070/71 is NPR 82.24 million and its net worth stood at NPR 46.63 million before dividend.

BPC Services Limited

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

BPCSL's turnover in FY 2070/71 is NPR 0.237 million and its net worth is NPR 9.23 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, Kabela A, Nyadi and others.

The turnover of Hydro Lab in the fiscal year 2070/71 was NPR 25.98 million. At the end of the fiscal year its net worth stood at NPR 75.27 million.

Jumdi Hydropower Private Limited

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

Gurans Energy Limited

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 16.6 million in the shares of GEL till the end of FY 2070/71. The initial joint venture pipeline includes interests in the following advanced projects:

- Kabela A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US \$100 million.
- Nyadi is a 30MW run-of-river hydro power plant with an estimated capacity factor of 67% with an estimated capital cost of US\$ 57.1 million.

ii. PROVISION FOR LOSS/INCOME IN INVESTMENT

Provision for loss was made in proportion of BPC's share investments in subsidiaries and in JVs as per the audited / latest available financial statements in compliance with NAS. This year, the accumulated loss in Khudi Hydropower Limited is decreased by NPR 9,179,622. On the contrary, accumulated losses in BPC Services Limited and Gurans Energy Limited however increased by NPR 545,753 and NPR 4,340,150 respectively. Likewise, BPC has written back NPR 675,200 received from Kirne HEP against provision made in the previous years for advances towards investment in shares of Kirne HEP. This has resulted increase in income by NPR 4,968,919.

d. CASH IN HAND AND AT BANK / BANK OVERDRAFT

Cash in hand and at Banks include short-term time deposits amounting to NPR 107.4 million maintained at Nepal SBI Bank Limited. These deposits are maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.

Cash at banks also include foreign currency balance of US\$ 68,439. The overdraft/bank loan facility from banks has been obtained against the security of Jhimruk generation revenue and assets and company's corporate guarantee.

e. SALE/(PURCHASE) OF ELECTRICITY: ANDHIKOLA POWER PLANT

Particulars	kWh	Amount (in NPR)
Total electricity generation	-	
Total sales	20,077,454	
Sale to NEA	-	-
Sale to local consumers	20,077,454	79,953,412
Internal consumption	259,369	
Transit loss	4,536,350	
Purchase from NEA	(24,873,172)	(119,141,002)

f. SALE/(PURCHASE) OF ELECTRICITY:

JHIMRUK POWER PLANT

Particulars	kWh	Amount (in NPR)
Total electricity generation	70,762,100	
Total sales	64,799,892	
Sale to NEA	60,777,006	289,298,549
Sale to local consumers	4,022,886	28,556,444
Internal consumption	201,022	
Transit loss	2,702,504	
Purchase from NEA	(2,414,090)	(11,491,068)

g. MANAGEMENT AND TECHNICAL SUPPORT EXPENSES

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

h. ADMINISTRATIVE EXPENSES

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

i. DIVIDEND INCOME

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

Name of Company	US Dollar	Equivalent NPR
Himal Power Limited	3,959,914	393,615,406

j. PROVISION FOR CORPORATE TAX

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

Particulars	Taxable income	Tax provision
Hydropower Income/(loss)	(85,070,957)	-
Other Income/(loss)	(20,257,156)	-
Total	(105,328,113)	-

k. TRANSACTIONS WITH RELATED PARTIES

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

Name of transaction party	Amount (in NPR)	Items/Services procured
Mercantile Communications (P) Ltd	848,969	Internet and VSAT Service
Syakar Trading Co. Pvt. Ltd.	15,940	Vehicle repair Maintenance

l. THOSE CHARGED WITH GOVERNANCE

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

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

m. KEY MANAGEMENT PERSONNEL

Mr. Uttar Kumar Shrestha - Chief Executive Officer

Note: Mr. Ranjan Lohar was the Chief Executive Officer (CEO) of BPC in FY 2070/71 till 16th September 2013. After the expiry of his term as per the agreement, Mr. Pratik Pradhan, Vice President has been appointed as Officiating CEO effective from 17th September 2013 till 14th May 2014. And Mr. Uttar Kumar Shrestha has been appointed as CEO effective from 15th May 2014.

n. COMPENSATION TO CEO

Categories	Amount in NPR
Regular employee benefits	3,671,891

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

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

(in NPR)

Nature of expenses	Current Year
Meeting Allowances	596,000
Telephone, Mobile & Newspapers/ Magazines	407,667

p. TRANSACTION WITH SUBSIDIARIES

Following transactions were carried out with the subsidiary companies:

Transaction with	Purchase (in NPR)	Sale (in NPR)	Advance (in NPR)	Receivable (Payable) in (NPR)
Nepal Hydro & Electric Ltd.	38,621,800	32,714	--	(4,500,370)
Khudi Hydropower Limited	--	133,300	20,350,000	14,840,033
BPC Services Limited	--	--	850,000	6,120,209
Nyadi Hydropower Limited	--	649,200	55,550,000	57,784,467
Hydro-Consult Engineering Limited	5,435,747	--	--	(2,514,659)
Kabeli Energy Limited	--	2,803,584	215,410,348	179,126,961
Total	44,057,547	3,618,790	292,160,348	250,856,641

q. PROVISION FOR HOUSING FACILITIES

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

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

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

s. CONTINGENT TAX LIABILITY

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 appeal against the assessment orders, the status of which is as under:

Period	Additional Tax Liability NPR	Status of Appeal
FY 2059/60		
2059.4.1 to 2059.10.14	237,891,365	On our appeal IRD conducted administrative review of the case and advised LTPO to reassess the tax. LTPO is in process of revisiting tax assessment as per the decision of IRD
2059.10.15 to 2060.3.32		- Appealed to Supreme Court against the decision of Revenue Tribunal

The tax assessment for fiscal year 2065/66 has been completed.

t. DEFERRED TAX

Deferred tax is calculated as per Nepal Accounting Standard (NAS). The liabilities of NPR 7.96 million arises from the calculation of deferred tax because of temporary timing differences has been shown in the balance sheet separately as deferred tax liabilities. Similarly, deferred tax income amounting to NPR 18.20 has been recognized in this Fiscal Year. Tax rate at 18% have been applied for computing deferred tax for hydro related activity while tax rate at 25% is applied for normal activity. The computation table is as follows;

(NPR in million)

Particulars	Carrying Amount	Tax Base	Diff. Asset/ (Liability)	Tax Rate	Deferred tax Asset / (Liability)
WDV of Depreciable Assets (HO)	268.88	273.42	4.54	25%	1.13
WDV of Depreciable Assets (Hydro power)	619.72	404.47	(215.25)	18%	(38.74)
Provisions (HO)	33.60	-	33.60	25%	8.40
Provisions (Hydropower)	4.83	-	4.83	18%	0.86
Unused tax losses (HO)			20.26	25%	5.06
Unused tax losses (Hydro power)			85.07	18%	15.31
Total Closing Balance as on July 16, 2014			(66.95)		(7.96)
Opening balance of Deferred tax Assets / (Liability) as on July 15, 2013					(26.16)
Deferred tax income for the year					18.20

u. CAPITAL COMMITMENTS

i. 37-MW Kabeli-A Hydropower Project (KAHEP)

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

BPC's part of capital commitment on this project is NPR 1100 million for 55% shareholding of which BPC has invested NPR 458 million as on reporting date.

ii. 30-MW Nyadi Hydropower Project

NHP (upgraded capacity 30 MW) is a Run-of-River type project being developed over Nyadi River in Bahundada VDC in Lamjung district by Nyadi Hydropower Limited (NHL). At present BPC and Lamjung Electric Development Company (LEDCO) own 97.22% and 2.78% of NHL shares respectively. BPC's part of capital commitment on this project is NPR 875 million for 60% shareholding after set aside for locals/ public and other promoter groups; of which BPC has invested NPR 356 million as on reporting date.

iii. 93-MW Lower Manang Marsyangdi Hydropower Project

BPC has got survey license of 93 MW capacities Lower Manang Marsyangdi Project in May 2009. The project has been optimized for 140 MW capacity. The project is located in Tachebagar and Dharapani VDC of Manang VDC of Manang District. Detail feasibility study has been completed and the project is in the stage of detail design. NPR.150 million has been spent by the company as on reporting date.

iv. 9.4 MW Andhikhola Upgrading Project

The existing 5.1 MW Andhikhola hydropower plant, located in Syangja district, is in the process of upgrading to 9.4 MW. The project cost is estimated at NPR 1400 million. The construction of the project is at finalization stage, which was started after obtaining the generation license from DoED and signing of PPA with NEA. The project is financed by IFC and Local bank (Mega Bank Nepal Limited). Loan agreement with IFC for USD 6.5 million was signed on May 2010 and for NPR 300 million has been signed with Mega Bank Nepal Limited. Project assets have been mortgaged for the procurement of above loans. BPC has borne the balance portion as equity investment. Till the end of FY 2070/71 NPR 1,162 million has been spent in the project.

v. TENURE OF THE LICENSE OF EXISTING POWER PLANTS

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

W. EVENT AFTER THE BALANCE SHEET DATE

Proposed Dividend

The board of directors has proposed 15% cash dividend on paid up capital from the net profit of the fiscal year 2070/71. The total amount of dividend NPR 250,983,405 shall be payable after the approval of 22nd Annual General Meeting. This dividend is declared after the balance sheet date but before the financial statements are authorized for issue, and thus not recognized as a liability at the balance sheet date as per the NAS – 5 (12).

X. ROUNDING OFF

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



consolidated
financial statements

2014



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

1. We have audited the accompanying consolidated financial statements of Butwal Power Company Ltd., which comprise the Consolidated Balance Sheet as at Ashad 32, 2071, (July 16, 2014) and the related, Consolidated Income Statement, Consolidated Statement of Change in Equity, Consolidated Cash Flows, and Notes to the Annual Accounts for the year then ended.

Management's Responsibility for the financial Statements

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

Auditor's responsibility

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

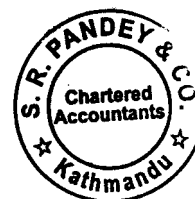
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects the consolidated financial position of **Butwal Power Company Limited**, as at Ashad 32, 2071 (July 16, 2014), and of the results of its financial performance and its cash flows for the year then ended in accordance with relevant practices.

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



CA. Sudarshan Raj Pandey
Partner

Place: Kathmandu
Date: 2071.09.15 (30 December, 2014)

Consolidated Statement of Financial Position

As of Ashadh 32, 2071

(All Amounts in Thousands)

Particulars	As at Ashadh 32,2071	As at Ashadh 31,2070
I EQUITY & LIABILITIES		
1. Shareholder's Fund		
(a) Share Capital	1,673,223	1,015,269
(b) Reserve & Surplus	1,589,316	1,506,401
2. Non Controlling Interest	177,937	176,678
3. Non-Current Liabilities		
(a) Grant Aid in Reserve	199,572	207,830
(b) Other Funds	9,105	10,513
(c) Mid Term & Long Term Debt	1,084,965	1,119,208
(d) Advance Toward Share Capital	1,250	10,819
(e) Deferred Tax Liability	7,963	26,163
Total Non-Current Liabilities	1,302,855	1,374,533
4. Current Liabilities		
(a) Creditors & Other Payables	681,682	446,390
(b) Short-term Loan	295,026	562,184
(c) Advance & Deposit received	10,079	10,503
(d) Provisions	72,910	94,433
Total Current Liabilities	1,059,697	1,113,510
Total	5,803,028	5,186,391
II ASSETS		
1. Non-Current Assets		
Property Plant & Equipment Gross Block	3,241,004	3,225,334
Less: Depreciation	1,235,397	1,111,064
(a) Net Property, Plant & Equipment	2,005,607	2,114,270
(b) Assets Held for Sale	3,170	3,170
(c) Work in Progress	2,121,095	1,570,141
(d) Non-Current Investments	409,559	570,688
(e) Investment in Associates	13,580	15,378
(f) Preoperating Expenses	-	2,944
(g) Deferred Tax Assets	10,093	14,578
Total Non-Current Assets	4,563,104	4,291,169
(a) Cash in Hand and at Bank	243,149	270,395
(b) Advances & Deposits	364,622	372,584
(c) Debtors & Accounts Receivable	495,068	150,459
(d) Inventories	137,085	101,784
Total Current Assets	1,239,924	895,222
Total	5,803,028	5,186,391

Radheshyam Shrestha
Vice President- Finance

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Ratna Sansar Shrestha, FCA
Director

Pradeep Kumar Shrestha
Director

Rajib Rajbhandari
Director

Bijaya Krishna Shrestha
Director

Shyam Kishor Yadhav
Director

Chandi Prasad Shrestha
Director

As per our report of even date

Sudarshan Raj Pandey
SR Pandey & Co.

Divakar Vaidya
Director

Chartered Accountants

Date: 2071.09.15 (30 December, 2014)
Place: Kathmandu, Nepal

Consolidated Statement of Profit and Loss Account

As of Ashadh 32,2071

(All Amounts in Thousands)

Particulars	For the year ended Ashadh 32,2071	For the year ended Ashadh 31,2070
Revenue from Operations	931,706	1,049,408
I Total Revenue	931,706	1,049,408
Expenses		
Power Plant Expenses/Direct Expenses	678,149	650,380
Administrative Expenses	193,732	200,202
Depreciation Expenses	127,066	109,250
Amortisation Expenses	4,357	3,126
Interest Expenses	87,785	98,592
Other Expenses	(1,883)	(6,001)
II Total Expenses	1,089,206	1,055,549
Income from other Sources		
Interest Income	11,194	12,332
Other Income	11,907	7,588
Depreciation Being Revenue Portion of Grant Aid	11,506	11,188
Dividend Income	393,615	241,408
Foreign Currency Exchange (Loss)/Gain	(359)	5,501
Non operating income	5,902	8,963
Gain(Loss) on Sale of Assets & Scrap Materials	977	1,337
III Total Income from Other Sources	434,742	288,317
IV Profit (Loss) Before Bonus & Tax	277,242	282,175
Share of Loss/(Profit) from Associates & JVs	(8,893)	1,222
Deferred Tax Expenses / (Income)	(13,715)	13,595
Provision for Employee's Bonus	7,686	7,590
Provision for Housing	-	697
Provision for Corporate Tax	3,994	16,254
Income Tax of Previous Years	4,905	2,393
V Profit (Loss) after Tax	283,265	240,424
Non Controlling Interest	2,989	7,520
VI Profit (Loss) after Non Controlling Interest	280,276	232,904
VII Earnings per Equity Share (NPR)		
(1) Basic	16.75	22.94
(2) Diluted	16.75	22.94

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Director

Chandi Prasad Shrestha
Director

As per our report of even date

Sudarshan Raj Pandey
SR Pandey & Co.

Chartered Accountants

Divakar Vaidya
Director

Date: 2071.09.15 (30 December, 2014)
Place: Kathmandu, Nepal

Consolidated Statement of Cash Flow

As of Ashadh 32,2071

(All Amounts in Thousands)

Particulars	For the year ended Ashadh 32,2071	For the year ended Ashadh 31,2070
Profit (Loss) before Bonus and Tax	277,242	282,175
Adjustment:		
Adjustment:		
Ordinary Depreciation	116,662	98,246
Depreciation Charged to Grant Aid in Reserve	11,506	11,188
Foreign Currency Exchange (Gain)/Loss	359	(5,501)
Interest Expenses	87,785	99,079
Interest Income	(11,194)	(31,759)
Dividend Income	(393,615)	(241,408)
Provision on Loss/(income) in Investment	-	(522)
Provision for Expenses	2,405	15,142
(Gain)/Loss on disposal of Stock/ Assets	(993)	(1,337)
Deferred Revenue Expenses/Pre operating Expenses	4,207	9,784
Written off of Assets	6,429	29,168
II Operating Profit before Working Capital Changes	100,792	264,255
Decrease/(Increase) in Debtors & Accounts Receivable	57,008	(18,367)
Decrease/(Increase) in Stocks	(33,023)	22,568
Decrease/(Increase) in Advance & Deposit Paid	56,000	30,344
Increase/(Decrease) in Creditors & Accounts Payable	(216,655)	233,789
Increase/(Decrease) in Advance & Deposit Received	55,126	(5,278)
III Cash Generated from Operations	19,247	527,311
Interest Paid	(89,412)	(99,079)
Foreign Currency Exchange Gain/(Loss)	(359)	5,501
Bonus Paid	(7,783)	(15,039)
Tax Paid	(10,652)	(13,708)
Gratuity/Leave money paid	(4,194)	-
Prior year Adjustment	(32,764)	(623)
I Net Cash Flows from Operating Activities (A)	(125,917)	404,363
Purchase of Fixed Assets	(50,418)	(286,298)
Assets Held for Sale	-	(3,170)
Investment in Share	72,184	(83,214)
Decrease/(Increase) in Capital Work-in-Progress	(544,293)	(528,697)
Interest Received	38,785	31,759
Dividend Received	405,529	241,408
Proceeds from sales & write off of Fixed Assets	124	4
II Net Cash Flows from Investing Activities (B)	(78,088)	(628,207)
Increase/(Decrease) in Grant Aid in Reserve/ Fund	(8,257)	(5,398)
Issue of share capital/Advance against share capital	648,384	(80,739)
Increase/(Decrease) in Share Premium	11,006	-
Increase/(Decrease) in Long Term Loan	(34,243)	336,453
Increase/(Decrease) in Short Term Loan	(267,158)	144,495
Dividend Paid	(172,973)	(260,151)
III Net Cash Flows from Financing Activities (C)	176,759	134,661
IV Net Changes in Cash & Cash Equivalents (A+B+C)	(27,246)	(66,016)
V Opening Cash and Cash Equivalents	270,395	336,411
VI Closing Cash and Cash Equivalents	243,149	270,395

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Director

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Director

Chandi Prasad Shrestha
Director

As per our report of even date

Sudarshan Raj Pandey

SR Pandey & Co.

Chartered Accountants

Divakar Vaidya
Director

Date: 2071.09.15 (30 December, 2014)
Place: Kathmandu, Nepal

Consolidated Statement of Changes in Equity

As of Ashadh 32, 2071

(All Amounts in Thousands)

S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As on Ashadh 32,2071
I	Balance as on 31st Ashadh, 2070	1,015,269	509,177	148,700	-	-	848,524	2,521,670	176,678	2,698,348
	Opening Adjustments						24,493	24,493	54	24,547
	Revaluation Adjustment		(20,542)					(20,542)		(20,542)
	Issue of Right Share	657,953			11,007			668,960		668,960
	Dividend of FY 2069/70 paid						(182,748)	(182,748)		(182,748)
	Profit for the Year						280,276	280,276	2,989	283,265
	Prior Year's Adjustment						(29,571)	(29,571)	(1,783)	(31,355)
II	Balance as on 32nd Ashadh, 2071	1,673,223	488,635	148,700	11,007	-	940,974	3,262,538	177,937	3,440,475

S. No.	Particulars	Share Capital	Revaluation Reserve	General Reserve	Share Premium	Capital Reserve	Retained Earnings	Controlling Interest	Non Controlling Interest	Total Equity As on Ashadh 31,2070
I	Balance as on 31st Ashadh, 2069	1,015,269	692,607	148,700	-	-	877,985	2,734,561	168,244	2,902,805
	Opening Adjustments						(8,024)	(8,024)	-	(8,024)
	Revaluation Adjustment		(183,430)					(183,430)		(183,430)
	Issue of Share Capital								914	914
	Dividend of FY 2068/69 paid						(253,817)	(253,817)		(253,817)
	Profit for the Year						232,904	232,904	7,520	240,424
	Prior Year's Adjustment						(524)	(524)	-	(524)
II	Balance as on 31st Ashadh, 2070	1,015,269	509,177	148,700	-	-	848,524	2,521,670	176,678	2,698,348

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As per our report of even date

Sudarshan Raj Pandey
SR Pandey & Co.

Chartered Accountants

Divakar Vaidya
Director

Date: 2071.09.15 (30 December, 2014)
Place: Kathmandu, Nepal

Notes to the Consolidated Financial Statement

for the Fiscal Year 2070/71

1. GENERAL INFORMATION

Butwal Power Company Ltd ('the Company') and its subsidiaries' (together forming 'the Group') principal activities include the development of hydropower project, provide consulting services, hydraulic modelling and operation and maintenance services to hydro-power plants. The Group has carried on the business in Nepal and overseas and employs over 500 people. The Company is a limited liability company incorporated and domiciled in Nepal. The address of its registered office is: Gangadevi Marga – 313, Buddha Nagar, Kathmandu, Nepal. The Company has listed on the Nepal Stock Exchange (NEPSE) as BPCL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

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

2.2 Use of estimates

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

2.3 Consolidation

(a) Subsidiaries

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

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

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

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

(b) Non Controlling Interest

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

(c) Associates

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.5 Property, plant and equipment

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

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

2.6 Intangible Assets

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

2.7 Offsetting current assets and liabilities

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

2.8 Cash and cash equivalents

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

2.9 Share capital

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

2.10 Borrowings

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

2.11 Revenue recognition

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

(a) Rendering of services

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

(b) Interest income and expenses

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

(c) Dividend income

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

2.12 Dividend distribution

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

2.13 Figures of the previous year and rounding off

The figures of the FY 2069/70 have been regrouped and reclassified wherever necessary to make comparison with the figure of FY 2070/71. All figures are in Nepalese Rupees if not otherwise specified and have been rounded off to the nearest rupee.

Statement of Financial Position of BPC Subsidiaries

As on 32nd Ashad 2071 (16th July 2014)

(in NPR)

Particulars	Khudi	Nyadi	Kabeli	NHE	BPCSL	Hydro Consult
SOURCES OF FUND						
Share Capital						
Equity Share Capital	84,000,000	250,000,000	65,369,947	139,530,000	10,000,000	11,778,500
Preference Share Capital	81,650,000	-	-	-	-	-
Reserve & Surplus	(43,127,519)	-	-	81,520,174	(769,298)	34,856,290
Total Shareholder's Fund	122,522,481	250,000,000	65,369,947	221,050,174	9,230,702	46,634,790
Non-Current Liabilities						
Other Funds	-	-	-	9,104,826	-	-
Mid Term & Long Term Debt	211,455,069	-	-	-	-	-
Advance Toward Share Capital	-	-	10,818,909	-	-	-
Deferred Tax Liabilities	-	-	-	-	-	-
Total Non-Current Liabilities	211,455,069	-	10,818,909	9,104,826	-	-
TOTAL	333,977,549	250,000,000	76,188,856	230,155,000	9,230,702	46,634,790
APPLICATION OF FUND						
Non-Current Assets						
Property, Plant Equipment:						
Gross Block	587,615,354	7,717,622	18,314,751	297,202,714	249,051	18,313,177
Less: Depreciation	181,217,774	4,529,286	5,153,049	153,814,082	206,978	11,328,277
Net Property, Plant & Equipment	406,397,580	3,188,336	13,161,702	143,388,632	42,073	6,984,900
Net Intangible Assets	-	-	-	-	-	-
Work in Progress	-	349,321,408	458,823,780	30,059,064	-	-
Investment in Shares	1,000,000	-	-	-	-	-
Deferred Tax Assets	542,231	-	-	9,216,324	-	334,797
Total Non-Current Assets	407,939,811	352,509,744	471,985,481	182,664,020	42,073	7,319,697
Current Assets						
Cash in Hand and at Bank	1,573,178	941,241	10,575,327	7,791,432	414,813	19,814,465
Advances & Deposits	4,233,299	810,662	2,159,492	55,813,832	593,496	11,062,231
Debtors & Accounts Receivable	17,309,679	10,252,910	-	370,602,472	21,610,041	28,784,991
Inventories	-	-	33,137	80,139,459	-	-
Current Work In Progress	-	-	-	-	-	1,157,921
Total Current Assets	23,116,156	12,004,813	12,767,955	514,347,195	22,618,350	60,819,608
Current Liabilities						
Creditors & Other Payables	78,868,545	58,859,829	408,564,581	279,851,972	8,407,507	8,083,233
Short-term Loan	18,209,873	-	-	150,510,000	-	-
Advance & Deposit received	-	55,550,000	-	-	850,000	6,694,193
Provisions	-	104,728	-	36,494,243	4,172,215	6,727,088
Total Current Liabilities	97,078,418	114,514,557	408,564,581	466,856,215	13,429,722	21,504,514
Net Current Assets	(73,962,262)	(102,509,744)	(395,796,626)	47,490,980	9,188,629	39,315,093
TOTAL	333,977,549	250,000,000	76,188,856	230,155,000	9,230,702	46,634,790

Statement of Profit & Loss Account of BPC Subsidiaries

For the year ended 32nd Ashad 2071 (16th July 2014)

(in NPR)

Particulars	Khudi	NHE	BPCSL	Hydro Consult
Operating Income				
Sale Revenue/ Consultancy Service	96,279,609	405,680,290	237,224	82,244,088
Total Operating Income	96,279,609	405,680,290	237,224	82,244,088
Operating Expenses				
Power Plant Expenses/ Expenses/ Cost of Sale	3,627,755	348,416,745	-	49,468,341
Total Operating Expenses	3,627,755	348,416,745	-	49,468,341
Gross Profit/ (Loss)	92,651,854	57,263,545	237,224	32,775,747
Administrative Expenses	16,147,927	56,918,040	406,804	11,959,043
Depreciation Expenses	23,246,656	11,991,881	14,026	1,771,614
Amortization Expenses	2,943,026	1,101,322		312,275
Interest Expenses	27,852,808	11,129,433	110,197	-
Bad Debt Written Off				1,780,022
Provision for Doubtful Debt			1,305,583	-
Total Administrative and Other Expenses	70,190,417	81,140,676	1,836,610	15,822,954
Income from Other Sources				
Interest Income	-	2,057,264	1,309,287	284,575
Other Income	15,580	-	-	77,404
Foreign Currency Exchange (Loss)/Gain	29	(1,121,760)	-	(441,124)
Non operating income	-	5,901,641	-	-
Gain(Loss) on Sale of Assets & Scrap Materials	-	(1,300,013)	-	-
Total Income from Other Sources	15,609	5,537,132	1,309,287	(79,146)
Profit (Loss) Before Bonus & Tax	22,477,045	(18,339,999)	(290,099)	16,873,647
Deferred Tax Expenses / (Income)	5,006,753	(544,576)	-	22,510
Provision for Employee's Bonus	440,726	-	-	1,533,968
Provision for Housing	-	-	-	-
Provision for Corporate Tax	-	-	253,871	3,740,242
Income Tax of Previous Years	-	4,905,010	-	-
Net Profit (Loss) After Tax	17,029,565	(22,700,433)	(543,970)	11,576,927
Profit from JV's	-	11,913,279	-	-
Profit /(Loss) Before Appropriation	17,029,565	(10,787,154)	(543,970)	11,576,927
Earnings Per Share (EPS)				
i. Basic	10.28	(16.27)	(5.44)	98.29
ii. Diluted	10.28	(16.27)	(5.44)	98.29

List of Abbreviations

BPC	Butwal Power Company Limited
BOOT	Build, Own, Operate and Transfer
FY	Fiscal year (Shrawan to Ashad B.S.)
DoI	Department of Industry
DoED	Department of Electricity Development
EPS	Earning Per Share
GoN	Government of Nepal
HCEL	Hydro Consult Engineering 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 Hydro Power Limited
NMFA	Norwegian Ministry of Foreign Affairs
MOE	Ministry of Energy
NEA	Nepal Electricity Authority
NORAD	Norwegian Agency for Development Cooperation
NPR	Nepalese rupees
PEEDA	People, Energy and Environment Development Association
PPA	Power Purchase Agreement
REEP	Rural Electrification and Expansion Project
SEBON	Security Exchange Board of Nepal
SEL	Shangri-La Energy Limited
UMN	United Mission to Nepal
USAID	United States Agency for International Development
WIP	Work in Progress

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