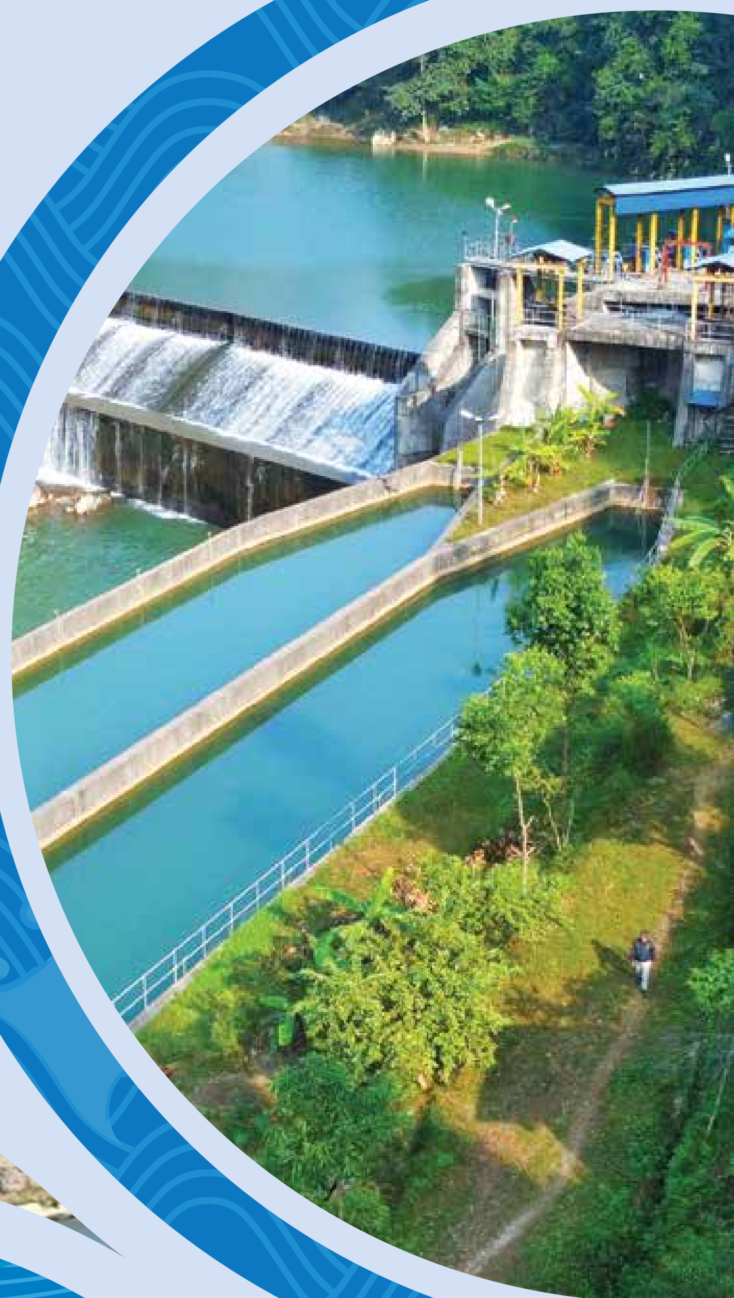
iLight the future

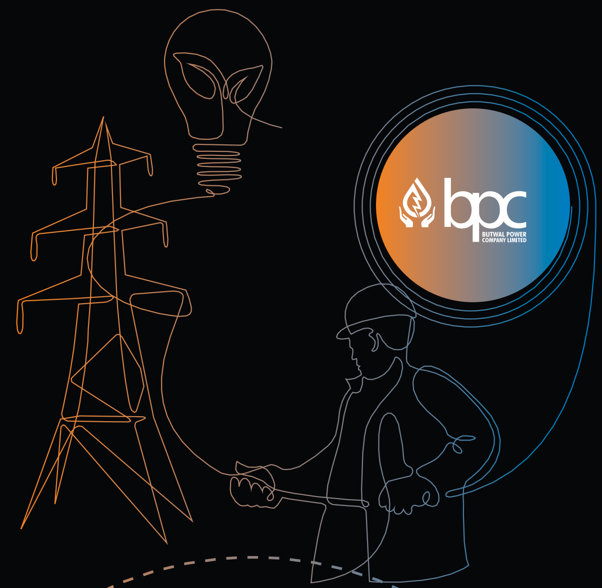
BUTWAL POWER COMPANY LIMITED

ANNUAL REPORT

2023-2024



Contents



FINANCIAL STATEMENTS 2024

CONSOLIDATED FINANCIAL STATEMENTS 2024

Company Profile

Butwal Power Company (BPC), established in 1965, has over 59 years of experience in Nepal's hydropower industry. As a leader in the sector, it is a publicly listed company registered with the Securities Board of Nepal. Its core business focuses on electricity generation and distribution, alongside the development, operation, and maintenance of hydropower plants. Additionally, BPC is involved in engineering hydropower and infrastructure projects, as well as the manufacturing and repair of hydro-mechanical and electro-mechanical equipment through its subsidiaries.

After the privatization process in 2003, the majority of ownership and management control of the Company was transferred to the private investors by the Government of Nepal through a public-private partnership (PPP) model. Beginning with the 1 MW Tinau Power Plant that electrified Butwal city, BPC has, over nearly six-decades of establishment, expanded to operate 55 MW of hydropower plants through equity investments.

BPC owns and operates 9.4 MW Andhikhola and 12 MW Jhimruk plants in western Nepal and supplies power to its own customers in Syangja, Palpa, Pyuthan, and Arghakhanchi districts for around 64,000 households. Furthermore, these plants supply power to Nepal Electricity Authority (NEA) under Power Purchase Agreement (PPA). BPC owns majority stake in 4 MW Khudi Hydropower Plant (KHP) and 30 MW Nyadi Hydropower Plant (NHP) under operation and 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) under construction, through separate Special Purpose Vehicles (SPVs).

BPC has formed a joint venture Company named SCIG International Nepal Hydro Joint Development Company Pvt Ltd. involving three Chinese companies from Chengdu, Sichuan Province, People's Republic of China. The joint venture aims to invest in the Marsyangdi cascade projects, comprising the 135 MW Manang Marsyangdi Hydroelectric Project (MMHEP), the 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP), and the 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) in Manang and Lamjung districts. All these projects will be peaking run-of-river (PROR) projects.

The Company is also developing the 7.9 MW Chino Khola Hydropower Project (CKHP) with the intention of supplying construction power to the cascade projects, with a plan for the PPA with NEA following project completion. The Connection Agreement has already been signed, and the project is currently awaiting PPA with NEA. Simultaneously, Feasibility study and Environmental Impact Assessment (EIA) studies are ongoing for the 160 MW Mugu Karnali Hydropower Project (MKHP), situated near Gamgadhi, the district headquarters of Mugu district.

BPC owns 16.88% of Himal Power Limited's 60 MW Khimti Hydropower Plant, along with Statkraft Holding Singapore Pvt. Ltd. and Bergenshalvoens Kommunale Kraftselskap (BKK). BPC is also a partner in Hydro Lab, which specializes in hydraulic

A prominent name in hydropower sector since

1965

CORPORATE INFORMATION

Name	Butwal Power Company Limited
Registration Number	Pa. Li. No. 3-049/50
Date Incorporated	29 December 1965 (2022/09/14 BS)
Date Converted into a Public Limited Company	17 February 1993 (2049/11/06 BS)
Date Privatised	3 January 2003 (2059/09/19 BS)
Registered/ Corporate Office	Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal
PAN /VAT Number	500047963
Bankers	Standard Chartered Bank Ltd., Himalayan Bank Ltd., Laxmi Sunrise Bank Ltd., NIC Asia Bank Ltd., Sanima Bank Ltd., Kumari Bank Ltd., Nepal Investment Mega Bank Ltd.
Statutory Auditor	Joshi & Bhandary, Chartered Accountants
Internal Auditor	PL Shrestha & Co., Chartered Accountants
Stock Exchange Listing	Nepal Stock Exchange (NEPSE), Code BPCL

Projects with capacity
800MW+
under development

Has been electrifying
63,793
customers through its own distribution business

model studies of hydropower projects, sediment analysis, and efficiency measures. Nepal Hydro & Electric Ltd. (NHE), a subsidiary of BPC, specializes in hydro-mechanical equipment, HV substations, galvanised steel towers, and heavy steel bridges, among others. Hydro-Consult Engineering Ltd. (HCE) was established by BPC in 2009 to provide consultancy services for water resource-based infrastructure projects. HCE specializes in investigations, designs, and construction supervision of hydropower projects in Nepal and internationally.

BPC has adopted an integrated management system certified under ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 2005 and OH&S 45001:2018 (Occupational Health and Safety Management System) since 2014, recognized by the Certification Body, DNV GL (Det Norske Veritas).

BPC has been acknowledged as the best-managed Company in the hydropower sector, receiving recognition like National Best Presented Annual Report (BPA) awards multiple times. The Company was also awarded the 'International Blue Planet Award 2005' by International Hydropower Association, UK. BPC remains committed to operational excellence, good governance, corporate citizenship, and the creation of value for its stakeholders, continuing to shape Nepal's energy future as a model of innovation and sustainability in the hydropower sector.

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 clean energy 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.
- **Teamwork –** We work together with mutual respect and trust to achieve results.

Strategic Goals of the Company

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

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

Ethical Principles

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

The BPC Code of Ethics applies to all its employees. Each individual at BPC is expected to behave according to the principles outlined in the Code and is expected to adhere to its standards, guidelines and restrictions; avoid and discourage actions that would imply Company activities in violation to the Code. All members of BPC must promote and support the Code in their day-to-day business activities. We encourage seeking consultation and advice, as appropriate, from the available resources to ensure proper application of the BPC Code. Any breach of the Code may result in severe disciplinary action, including suspension or termination.

The BPC Code

1. Abide by the applicable laws and regulations governing our business

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

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

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

3. Avoid conflicts of interest between work and personal affairs

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

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

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

5. Strive to create a safe workplace

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

6. Strive to protect the environment

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

7. Corporate social citizenship

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

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

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

Integrated Quality, Health, Safety and Environment Policy

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

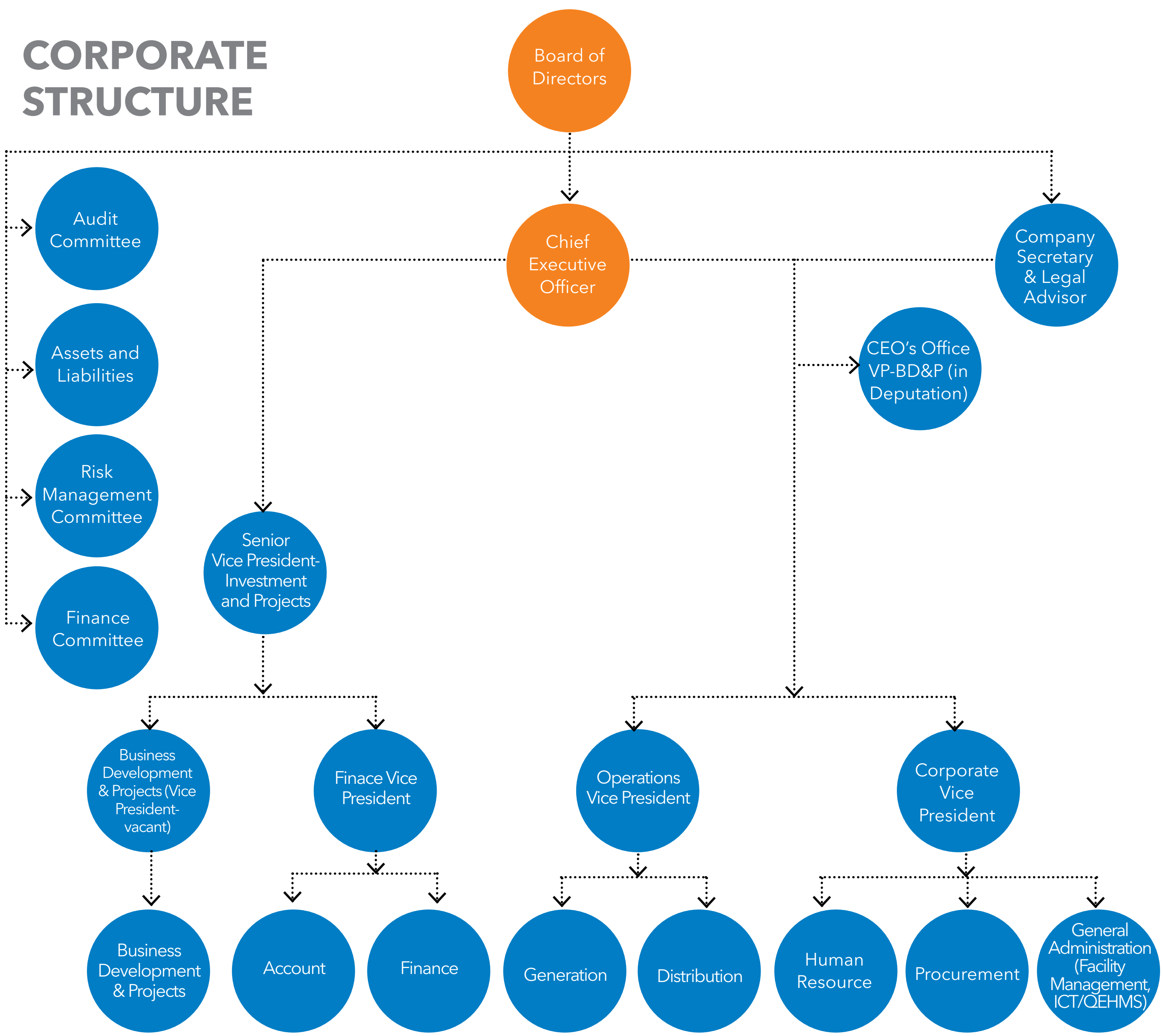
- Continual improvement of Integrated Management System and business processes.
- Identification of occupational health and safety hazards and minimizing potential risks to prevent injury and ill health.
- Conservation and optimization in use of key resources, minimizing impact on environment and prevention 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 workforce 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.

If required, periodic review of the policy is done so as to ensure its relevancy and appropriateness to the company.

Organisational Structure

BPC employs a functional organizational structure with a high degree of specialization, productivity, accountability, and specific job responsibilities among its employees. The Company directly engages in electricity generation, distribution, and transmission, as well as in business and project development activities. However, once an SPV is formed for each project, construction activities are executed through these SPVs. The subsidiaries of BPC are responsible for engineering, manufacturing, operation, and maintenance of hydropower projects as required. The organizational structure including key departments; Operations, Business Development & Projects (BD&P), Finance, and Corporate is in place, all reporting directly to the Chief Executive Officer (CEO). The CEO, in turn, oversees the overall management and reports to the Board of Directors (BoD).

CORPORATE STRUCTURE



Highlights of the Year

Total Revenue earned **NPR 693.64 million** and Net Profit NPR **193.99 million.**

Loan agreement for **135 MW Manang Marsyangdi Hydropower Project** (MMHEP) signed with the Export-Import Bank of China, Sichuan Branch.

Land acquisition and government land lease for **MMHEP** completed.

EPC contract for the construction of **MMHEP** signed.

SPV formation for development of **139.2 MW Lower Manang Marsyangdi HEP** (LMMHEP) completed.

Detailed Project Report (DPR) and investment for **327 MW Upper Marsyangdi-2 HEP** (UM2HEP) approved by Investment Board Nepal (IBN).

Draft Power Purchase Agreement (PPA) initialized with Nepal Electricity Authority (NEA) for **Chino Khola HP** (CKHP).

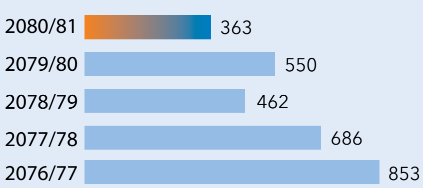
Cabinet approval granted for government lease land and tree cutting for **CKHP.**

Construction progress of **37.6 MW Kabeli-A Hydropower Project** (KHP) around 60%.

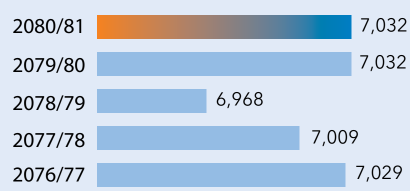
Initial Environmental Examination (IEE) of 7 MW Jhimruk Solar Project approved by Ministry of Energy, Water Resources and Irrigation (MOEWRI) and the Project capacity upgraded to **10 MW.**

Financial Highlights

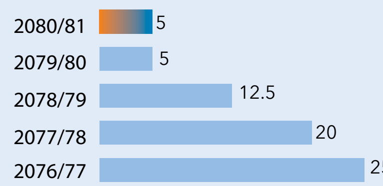
EBITDA (In NPR Million)



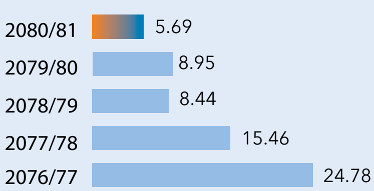
NET WORTH (In NPR Million)



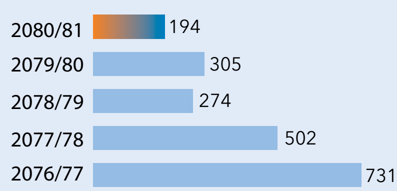
DIVIDEND PER SHARE (In NPR)



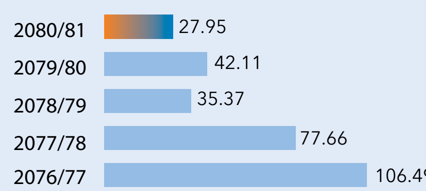
EARNING PER SHARE (In NPR)



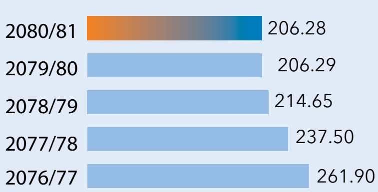
NET PROFIT (In NPR Million)



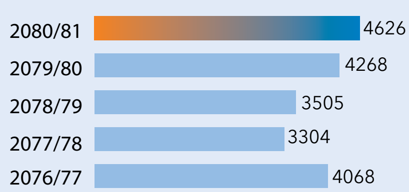
NET PROFIT MARGIN (In %)



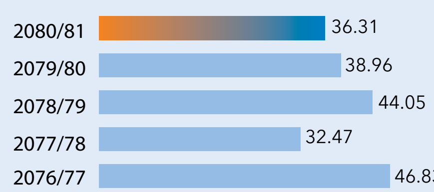
BOOK VALUE PER SHARE (In NPR)



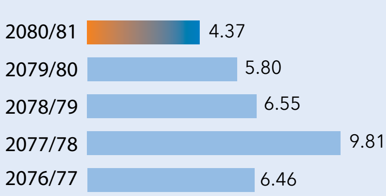
INVESTMENT (In NPR Million)



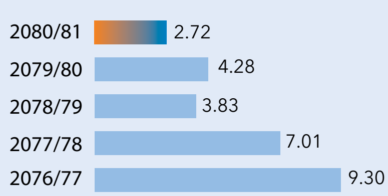
GROSS OPERATING PROFIT MARGIN (In %)



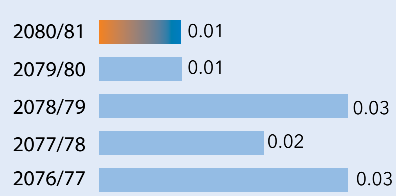
CURRENT RATIO (In Times)



RETURN ON CAPITAL EMPLOYED (In %)



DEBT TO EQUITY RATIO (In Times)



Board of Directors

From left to right:
Mr. Raju Maharjan, Director
Mr. Tirtha Man Shakya, Independent Director
Mr. Padma Jyoti, Chairman
Mr. Pradeep Kumar Shrestha, Director
Mr. Bijay Bahadur Shrestha, Alternate Director
Mr. Om Prakash Shrestha, Director
Ms. Bina Rana, Director
Mr. Sanjib Rajbhandari, Alternate Director

Message from Chairperson

Nepal's energy sector is dominated by traditional biomass energy, with its adverse impacts on the environment, health and agricultural productivity. All fossil fuels are imported from India, more than its revenue from exports, posing a serious threat to the national economy, trade balance, energy security, given the increasing global petroleum prices and geo-political vulnerabilities.

It is not possible to replace all biomass energy by hydroelectricity for many years to come, as only about 7% of Nepal's techno-commercially viable hydropower potential has been harnessed, and there is a lack of infrastructure to replace other sources of energy. Nepal also receives ample solar radiation for solar power and renders high potential for green hydrogen development.

In recent years, there has been an increase in extreme events, like flooding, high sediment load, landslide-induced dam outburst floods and glacial lake outburst floods due to increasing effects of climate change. The consequence will be an increase in capital and operational costs, loss of revenue from plant shutdowns and increased loss of property and lives. Increasing the resilience of hydropower plants is another policy goal for Nepal. Other challenges include seasonal variability in hydropower generation, resulting in excess electricity during the wet season and shortfall during the dry season, leading to significant electricity import from India. Smoothening Nepal's electricity generation curve by selling the surplus electricity to cross border market during the rainy season and increasing generation during the dry season is a major challenge. Development of solar power to complement hydroelectricity generation during the dry season, when solar radiation is high, has been crucial for balancing demand and supply. Promoting electricity for cooking, transport, industrial and agricultural purposes can also help to match demand and supply at crucial times of the day or seasons and can be managed through pricing and other incentives. Nepal's hydropower will continue to be a blessing if we take the appropriate and timely actions to have a balanced and sustainable electricity generation mix, a system resilient to disasters and climate change.

> "The 135 MW MMHEP secured a USD 175 million RMB loan from EXIM Bank China, marking Nepal's first RMB-based hydropower financing."

With the longest history of private sector participation in the development of hydropower sector, BPC's contribution has been remarkable not only in the generation of hydroelectricity, but also as a developer, engineering service provider, electricity distributor, institutional investor, and power plant repair and maintenance service provider. BPC will continue to partner GoN's Energy Development Roadmap and Action Plan 2024 for achieving the generation target of 28,500 MW by 2035. Nepal needs massive investment to achieve this target for which mobilization of domestic capital as well as attracting FDI is crucial. The goal is to sell 15,000 MW to neighboring countries while keeping 13,500 MW for domestic consumption for which reforms related to forest, environment, management of financial resources and land acquisition are prerequisites. The Long-Term Power Trade Agreement with India for exporting 10,000 MW over ten years and the tripartite power trade agreement between Nepal, India, and Bangladesh allowing the export of 40 MW of energy to Bangladesh has opened avenue for power trading to neighboring countries.

Weak coordination among different government bodies, policy instability, inability to attract FDI, inconsistencies and ad-hoc culture in bureaucratic actions and service delivery, and the duplication in institutional set-up have prolonged the pre-construction phase of hydropower projects, impacting both the revenue for the developer and royalties for the GON. Government land lease

"Nepal also receives ample solar radiation for solar power and renders high potential for green hydrogen development."

and forest clearance for a project are overly stringent and time-consuming. These challenges have been realized by the GON and is working on policy harmonization and legal reforms for enhanced investment climate.

The overall performance of BPC has been satisfactory in FY 2023/24. The business activities and performances have been reported to the shareholders and other stakeholders through quarterly reporting and the annual report in a transparent manner. Financial closure of 135 MW Manang Marsyangdi Hydropower Project has been successfully achieved through financial support from EXIM Bank of China and a collaborative partnership with our valued Chinese partners. The project's financing model includes a landmark RMB loan of USD 175 million, marking the first RMB-based loan for a hydropower project in Nepal. Among three cascade projects of total 601 MW, with the achievement of financial closure and construction commencement for this project, has strengthened our confidence to take up other two projects gradually. This journey has not been without challenges. We are addressing complex issues, from land acquisition to regulatory adjustments, and have faced additional hurdles due to the COVID-19 pandemic and damage caused by 2021 Marsyangdi floods. I am confident that with the support of the government, our dedicated team, and our partners, we will overcome these challenges and deliver lasting benefits to the communities we serve.

Management of financial resources and smooth cashflows to the under-construction projects demand sustainable dividend policy to the shareholders. These projects, on completion, will raise BPC to a stronger height in the power sector in Nepal and enhance confidence of our shareholders. We remain very optimistic about the future growth of BPC.

Finally, I would like to extend my sincere thanks to GON, partners, stakeholders and our valuable shareholders for their trust in and cooperation with BPC.

Padma Jyoti
Chairman

UM2HEP Dam Area

Report from Board of Directors

Dear Shareholders,
It gives us immense pleasure to present this Board of Directors' Report for the year 2024 at the Company's 32nd Annual General Meeting (AGM).

The Company performed steadily in its operations business during FY 2080/81 along with investment and project development businesses. The performance of various business segments has been presented under the respective headings. The Company posted a net profit of NPR 194 million in FY 2080/81, which is 36.41% less than the previous year. The sales of electricity have also decreased by 4.25% this year.

PERFORMANCE REVIEW

Finance

The Company earned a gross profit of NPR 251.85 million in FY 2080/81, a decrease of 10.77% over the previous year. Similarly, profit before interest and taxes has decreased by 22.90% to NPR 225.80 million this year. Finance income also decreased significantly by 54.75% to NPR 46.82 million. Consequently, the profit before and after taxes decreased by 32.55% and 36.41% respectively. In FY 2080/81 the Company's net profit was NPR 193.99 million. The financial highlights of the Company are briefly summarized below.

The increase in group revenue of 25.02% is due to the increase in sales of services related to Nepal Hydro and Electric (NHE). Similarly, the increase in the cost of sales of 40.62% is mainly due to the increase in the cost of sales of NHE, resulting in a decrease in gross profit of 5.91%. However, due to the increase in other income and gain on Bargain Purchase arising out of acquisition of subsidiaries, net profit increased significantly by 1,058.96%. The group's Earnings Per Share is NPR 10.38, which was negative NPR 0.16 in the previous fiscal year. The Net Worth has increased by 6.04% compared to the previous year.

(In million NPR unless specified)

Particulars	FY 2080/81	FY 2079/80	Variance (%)
Electricity sales to NEA	418.88	469.31	-10.75
Electricity sales and services to consumers	274.76	255.10	7.71
Generation expenses	305.06	303.59	0.48
Distribution expenses	136.73	138.57	-1.33
Gross profit	**251.85**	**282.26**	**-10.77**
Other income including dividend received	108.80	599.48	-81.85
Administrative and other expenses	124.85	126.79	-1.53
Allowance for expected credit loss	10.00	462.10	-97.84
Profit before interest and taxes	**225.80**	**292.85**	**-22.90**
Finance income	46.82	103.47	-54.75
Finance cost	13.03	11.47	13.59
Profit before taxes	**259.59**	**384.85**	**-32.55**
Net profit after tax	**193.99**	**305.07**	**-36.41**
Investment in other companies	4,626.03	4,268.34	8.38
Earnings Per Share (in NPR)	5.69	8.95	-36.42
Total Net Worth (Equity)	7,032.15	7,032.67	0.01

The Group consolidated financial status for FY 2080/81 is as follows:

(In million NPR unless specified)

Particulars	FY 2080/81	FY 2079/80	Variance (%)
Revenue	2,990.34	2,391.92	25.02%
Cost of sales	-2,235.73	-1,589.95	40.62%
Gross profit	754.61	801.97	-5.91%
Profit before interest and taxes	600.98	641.03	-6.25%
Profit before tax	384.21	59.77	542.83%
Profit after tax	308.96	(32.22)	1,058.96%
Profit attributable to owners of parent	353.77	(5.30)	6,673.21%
Profit attributable to non-controlling interest	(44.81)	(26.92)	66.47%
Earnings Per Share (in NPR)	10.38	(0.16)	
Net Worth	7,523.32	7,094.55	6.04%

OPERATIONS

Generation Business

The Company has been operating two power plants, namely 9.4 MW Andhikhola Power Plant (APP) and 12 MW Jhimruk Power Plant (JPP). Both plants performed well in FY 2080/81. The total generation was 133.76 GWh, which is 4.89% less compared to 140.65 GWh in the previous fiscal year. Out of total generated energy, around 62.54% energy was supplied to NEA and remaining to the distribution business. Both plants have been well maintained, and regular repair and maintenance works have been conducted.

The generation status of both power plants was as follows:

- APP generated 62.42 GWh during the year, with a plant factor of 75.81%, which is a decrease of 4.08% (2.66 GWh) over the previous year. The low river discharge during the year was the main factor in decreased generation. The plant had to purchase 5.17 GWh energy from NEA on a commercial rate to meet supplies to the consumers at a lower rate, impacted profitability of the plant. Out of total available energy, 26.09 GWh (38.60%) was supplied to NEA, which includes 3.16 GWh compensation for Kaligandaki Power Plant and 40.78 GWh was sold to BPC distribution.
- JPP generated 71.33 GWh during the year, with a plant factor of 67.86%, which is a decrease of 5.6% (4.22 GWh) over the previous year. The major driver for the decreased generation was the low river discharge compared to previous year. The plant had to purchase 2.82 GWh energy from NEA to meet supplies to the consumers. Out of the total available energy, 62.57 GWh (84.37%) was supplied to NEA and the remaining was used for BPC distribution.

Distribution Business

During FY 2080/81, the total energy purchased from the generation business was 50.54 GWh, which is about 7.46% more than that of last year. The electricity sales to consumer has also increased by 8.25% compared to the last fiscal year. The number of consumer and consumption per consumer have increased by 1.74% and 0.88% respectively. However, the Company has been bearing losses in the distribution business.

SUBSIDIARY AND ASSOCIATE OF THE COMPANY

COMPANY'S INVESTMENT PORTFOLIO AT THE END OF ASHADH, 2081

The Company has made equity investments in the following companies, valued at cost and fair value as in the table below:

Advance towards share capital including incidental cost:

Name of company	Amount (Rs.)
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	94,000,000
Manang Marshyangdi HPC (P) Ltd.	353,086,000
Nepal Power Exchange Ltd.	20,000,000
Kabeli Energy Ltd.	506,306,367
Gurans Energy Ltd.	142,930,323
Chino Hydropower Ltd.	30,473,092
Total	**1,146,795,782**

Name of company	No. of shares	Holding (%)	Investment at Cost (NPR)	Investment at Fair Value (NPR)
Himal Power Ltd.	2,978,502	16.88	434,931,461	740,282,587
Nepal Hydro & Electric Ltd.	715,800	51.30	71,580,000	-
Khudi Hydropower Ltd.	504,000	60.00	50,400,000	-
Khudi Hydropower Ltd. (Preference Share)	576,000	70.55	57,600,000	-
Nyadi Hydropower Ltd.	10,751,453	71.68	1,075,145,300	-
Kabeli Energy Ltd.	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Ltd.	147,231	100.00	42,991,260	-
Manang Marshyangdi HPC (P) Ltd.	171,876	19.40	127,661,228	-
BPC Services Ltd.	100,000	100.00	10,000,000	-
Hydro Lab (P) Ltd.	10,000	16.64	1,000,000	40,573,039
Himtal Hydropower Co. (P) Ltd.	601,300	19.40	789,700,830	-
Marshyangdi Transmission Co. (P) Ltd.	6,406	19.40	10,346,245	-
Gurans Energy Ltd.	8,299,590	100.00	331,983,600	-
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	760,000	20.00	93,520,876	-
Chino Hydropower Ltd.	100,000	100.00	10,000,000	
Total	**28,689,018**		**3.403,546,800**	**780,855,626**

SUSBSIDIARY AND ASSOCIATE COMPANIES OPERATING POWER PLANTS

Nyadi Hydropower Limited (NHL)

Nyadi Hydropower Limited (NHL), a subsidiary of BPC, has developed 30 MW Nyadi Hydropower Project (NHP) in Lamjung district, using local financing. Despite plant availability, NHP had to run at lower capacity for the last three years, due to dispatch instructions from NEA. The failure of NEA to commission of 220 kV Khudi Hub on time compelled NHL to agree on a contingency plan to evacuate power on a 'take and pay' basis. Consequently, NHP generated 103.543 GWh in FY 2080/81, which is only 61.43% of the Annual Contract Energy (168.55 GWh). NEA has now agreed to end the contingency and reinstate the "take or pay" PPA by the end of FY 2081/82. The company recorded revenue of NPR 592 million in FY 2080/81 with a slight decrease from the previous year. The company incurred a net loss of NPR 193 million which is an increase of 3% in comparison to the previous year.

Khudi Hydropower Limited (KHL), a subsidiary company owns and operates the 4 MW Khudi Power Plant, which began its commercial operation in FY 2063/64. The overall performance of the company has been satisfactory in FY 2080/81. During the year, the focus has been on timely repair/maintenance, river training work, and flood monitoring, as well as cost minimization. The power plant has been operated normally during this year. The company generated revenue of NPR 81.25 million in FY 2080/81 which is a 9.68% decrease from the previous year and earned a net profit of NPR 27.95 million which represents an increase of 5.44% in comparison to the previous year.

Himal Power Ltd. (HPL), an associate company, owns and operates 60 MW Khimti–I Hydropower Plant (KHP). As per the terms of the previous 20-year PPA, HPL's equity interest in KHP has been diluted to NEA by 50% as of July 2020. Since then, KHP has been operating under an interim PPA until a final PPA is signed. This change has had a significant impact on the dividend income of BPC.

ENGINEERING AND OTHER SERVICES

Hydro Consult Engineering (HCE), a fully owned subsidiary company of BPC has been performing well by offering top-notch consulting engineering services to numerous hydropower projects both domestically and abroad. HCE is also in the process of business diversification in other infrastructure sectors.

Nepal Hydro & Electric Limited (NHE), a subsidiary of BPC 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 structures like steel bridges.

The financial performance highlights of the subsidiary and associate companies are as below:

Name of Company	Net Profit (million NPR)	Increase (Decrease) in Net Profit/ loss	Share Capital (million NPR)	Net Worth (million NPR)	EPS (NPR)	Net Worth Per Share (NPR)
Himal Power Ltd.	(113.90)	175.39%	1,764.14	4,384.64	(6.46)	255.00
Nepal Hydro & Electric Ltd.	44.12	-10.02%	139.53	414.60	31.62	297.14
Khudi Hydropower Ltd.	27.94	5.43%	84.00	222.92	33.26	243.44
Kabeli Energy Ltd.	0.41	-100.06%	1,085.01	1,704.51	0.04	157.10
Nyadi Hydropower Ltd.	(192.74)	-2.86%	1,500.00	964.20	(12.85)	64.28
Hydro-consult Engineering Ltd.	7.68	-35.25%	14.72	169.20	52.14	1,150.36
BPC Services Ltd.	0.71	-22.25%	10.00	16.08	7.09	160.80
Hydro Lab (P) Ltd.	34.49	51.67%	6.01	247.15	573.88	3,460.23
Gurans Energy Ltd.	(7.67)	-88.01%	829.96	325.15	(0.92)	39.23
SCIG International Nepal Hydro Joint Development Co. Pvt. Ltd.	(2.22)	-86.18%	1,656.72	1,542.31	(0.13)	89.65
Manang Marsyangdi Hydropower Company Pvt. Ltd.	15.34	17.64%	835.11	1,232.10	1.84	101.50
Marsyangdi Transmission Company Private Ltd.	0.04	-20.00%	3.30	43.07	1.21	1,306.67
Himtal Hydropower Company Private Ltd.	21.67	32.78%	309.94	632.55	6.99	204.08
Chino Hydropower Ltd.	0.03	-84.38%	40.00	39.81	0.06	100.00

The Company earned dividend income of NPR 27.889 million in FY 2080/81 from the following subsidiary companies:

Name of Company	Dividend Amount received in NPR (from the profit of F/Y 2079/80)
BPC Services Ltd.	950,000
Khudi Hydropower Ltd.	15,868,800
Hydro- Consult Engineering Ltd.	10,070,600
Nepal Power Exchange Ltd.	1,000,000
Total	**27,889,400**

Gurans Energy Limited (GEL), an investment company established jointly by BPC and InfraCo Asia, Singapore with initial shareholding of 40% and 60% respectively to develop and invest in hydropower projects, is now a fully owned subsidiary of BPC after the purchase of the entire shares held by InfraCo Asia in 2023. GEL has invested in KEL.

BPC Services Limited (BPCSL), a fully owned subsidiary company, was established to provide operation and maintenance services to the power plants and interconnection facilities. The company aims to offer its operation and maintenance services to the various power plants through BPCSL.

Hydro Lab Pvt. Ltd., an associate company, has been conducting physical hydraulic model studies, sediment studies, and associated research for water resources development projects. The company has also provided services in geological testing & investigation, and numerical modelling services.

PROJECTS

Kabeli-A Hydroelectric Project (KAHEP)
Kabeli Energy Limited (KEL), an SPV of BPC has been formed for the development of 37.6 MW Kabeli-A Hydroelectric Project located in Panchthar district. Under the recovery plan, PPA with NEA has been amended on a RoR basis with a posted tariff rate and local financing has been arranged. After the exit of InfraCo Asia, BPC is developing the project in partnership with Arun Kabeli Power Limited (AKPL) with a debt and equity 60:40 ratio. The debt financing is via Nepalese consortium banks led by Kumari Bank Ltd. The construction of the project is going smoothly and is expected to be completed within a year.

Marsyangdi Cascade Projects (MCP)
Marsyangdi Cascade Projects (MCPs) comprise three PROR projects-Manang Marsyangdi Hydroelectric Project

(MMHEP), Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) with combined installed capacity of 601 MW. The adjustment of all three projects into cascade system, redefining the nature of the project as PROR, updating feasibility study and completing supplementary EIAs, investigations and resource optimization of MCPs have been completed. These projects are being implemented through a separate SPV for each project, jointly with the Chinese partners namely SCIG International Ltd., Xingcheng International Investment Co. Ltd. and QYEC International Co. Ltd.

The status of MMHEP is as follows:

- The Generation License issued for 283 MW has been amended at 135 MW as a PROR Project.
- PPA with NEA has been signed for 135 MW.
- Process completed for government land leasing and tree cutting approval.
- The private land required for the project has been acquired.
- PDA has been signed with MOEWRI, Government of Nepal.
- With the signing of loan agreement with China EXIM Bank, the financial closure of the project has been completed.
- Owner's Engineer has been appointed, EPC contract awarded, and the contractor mobilized for construction commencement.
- Construction work started on September 28, 2024 and is progressing at pace.

The status of LMMHEP is as follows:

- The project has been optimized as PROR at 139.2 MW
- Generation License issued for 140 MW has been amended to 139.2 MW and PPA has been signed with NEA accordingly.
- EIA and Supplementary EIA have been approved by MoFE.
- After investment approval from IBN, the project company has been formed.

The status of UM2HEP is as follows:

- The project capacity of 600 MW has been reoptimized to 327 MW as PROR project based on Q40 design.
- The EIA and supplementary EIA have been approved by MOFE.
- A fee has been submitted to IBN for initiation of PDA process.
- IBN granted survey license after signing MOU for 327 MW following the new Public Private Partnership and Investment Act (PPPIA), 2019.
- DPR has been approved by IBN.
- The energy table has been locked, GIS completed, and the Connection Agreement signed with NEA.
- Draft PPA is in process.

The power generated by MCPs will be evacuated through 220 kV Marsyangdi Corridor Transmission Line, which is being constructed by NEA. MMHEP and LMMHEP will be interconnected at Manang Switching station in Manang district and UM2HEP will be interconnected at Khudi hub in Lamjung district through a 220 kV transmission line.

Chino Khola Hydropower Project (CKHP)

7.9 MW Chino Khola Hydropower Project (CKHP), a RoR project located near LMMHEP, has obtained the Generation License, and PPA has been initialized. The Generation License and industry registration need to be transferred to the project company. An SPV named Chino Hydropower Ltd. has been incorporated to implement the project. The process of appointment of contractor and consultant is at an advanced stage. Cabinet approval for leasing government land and tree cutting has been obtained and the acquisition of private land is ongoing.

Mugu Karnali Hydropower Project (MKHP)

BPC obtained the Survey License for the 159.62 MW Mugu Karnali Hydropower Project (MKHP) in 2074. Pre-feasibility and detailed feasibility studies have been completed and project capacity has been fixed at 173.47 MW. The EIA could not be initiated due to delays in obtaining government consent for the optimized project capacity of 173.47 MW. The consent remains pending due to boundary overlap issues with the downstream storage project of Vidyut Utpadan Company Ltd. (VUCL) named Mugu Karnali Storage Hydropower Project (MKSHP).

Jhimruk Solar Project

BPC conducted the feasibility study for the 7 MW Jhimruk On-Grid Solar Project after receiving survey license from DOED in 2022. Later, the Survey License was amended by increasing the capacity to 10 MW to meet the NEA's requirement for participating in the competitive bidding process invited in 2024. The feasibility study report has also been updated accordingly. BPC's proposal was not selected in the NEA bid due to low tariff rates proposed by other bidders. Nevertheless, BPC will participate in the future bidding process and materialize this project.

New Initiatives

As part of its growth strategy, BPC regularly identifies and reviews new hydropower projects and relevant business opportunities for future development. The Company is actively exploring the acquisition of under-construction and operational plants. In recent years, Green Hydrogen

> **We strive to keep the confidence of our stakeholders by being ethical, honest, and transparent in the continuing pursuit of our vision, mission, and values.**

is the emerging new area of development in the context of clean energy and global carbon emission reduction. BPC, being the leading private Company in the energy sector, is in the process of initiating a pilot project to gain knowledge on Green Hydrogen technologies for future advancements.

CORPORATE GOVERNANCE

BPC is dedicated to upholding ethical business practices and good corporate governance. We strive to maintain the confidence of our stakeholders by being ethical, honest, and transparent in the continuing pursuit of our vision, mission, and values. Each year we produce the Corporate Governance Report (CGR) with the intent of being transparent on our Board's activities and its performance, internal control systems and risk management. The vision, mission, core values, business principles and policies, code of corporate governance, code of conduct and ethics, and guidelines are all included in the corporate values framework. This framework applies to everyone in the Company, from employees to members of the Board of Directors. The fundamentals of this framework include striving to exercise the highest standards of ethics and conduct in our interpersonal and business relations while also ensuring compliance with the legal framework, fairness, integrity, honesty, and consideration of the environmental impacts and stakeholder interests. The CGR has been presented separately in the Company's Annual Report.

Board and its Committees

During the year, there was no change in the Board of Directors (BoD). The Board has set up three committees as per the mandatory requirements- Audit Committee, Risk Management Committee & Assets and Liability Committee: and three other committees as per the needs of the Company. The performance of Directors as members of the Board and its committees remained satisfactory in FY 2080/81. The details of the shareholding pattern, the Board and its committees of the Company are disclosed in the CGR.

Shareholding Structure of the Company

The shareholding structure of the Company has been incorporated in the CGR. The number of shareholders was 68,401 at the end of FY 2080/81.

Management

The Company's management is led by the CEO Mr. Uttar Kumar Shrestha. Mr. Shrestha has extensive management experience with the NEA in the past. He has successfully led the Company's management for the past eleven years. The company employs 173 people, with 16 in management positions. Employees have been covered by medical and accidental insurance policies. Management has improved performance during the fiscal year 2080/81 by completing major tasks in accordance with the Company's vision, mission, and values under the strategic direction of the BoD and Board Committees.

Quality, Environment and Occupational Health and Safety Management System

The Company has developed its Quality, Environment, Occupational Health, and Safety Management System in line with ISO standards. The Company has been certified with ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), and ISO 45001:2018 (Occupational Health and Safety Management System) [Certification Body- DNV (Det Norske Veritas), India]. The validation period of these three ISO standards is until May 2026. These standards are combined as an Integrated Management System (IMS). Periodic internal and external audits on IMS are being carried out for continual improvement.

Industrial and Business Relations of the Company

BPC actively engages with stakeholders and remains committed to strengthening relationships through participation in seminars, training programs, meetings, and CSR activities. It is an institutional member of several prominent organizations, including the Federation of Nepalese Chamber of Commerce and Industries, Independent Power Producers' Association Nepal, Nepal Hydropower Association, Confederation of Nepalese Industries, International Center for Hydropower (Norway), Energy Development Council, Nepal Tunneling Association, and Management Association of Nepal.

The Company has established a partnership with international agencies such as IFC, WB, NORAD, InfraCo Asia-Singapore, Statkraft AS-Norway, and SCPHI-Canada for different areas of business relationships in the development of hydropower projects. The Company has further established a partnership with three renowned Chinese companies; Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) for the development of MCPs.

Enterprise Risk Management

Risk management is an integral part of the Company's business initiation, decision, and implementation. A well-defined Risk Management System has been implemented in the Company and continually evaluates and monitors the risks at different levels of management to ensure that the risks are properly managed. The Risk Management Committee monitors and guides Management and recommends the Board to ensure good risk management in the Company.

Internal Control and Accountability

The Company has implemented an internal control and accountability system. The Audit Committee and the Board oversee the internal control environment and ensure accountability. Internal and external ISO audits are conducted periodically for continual improvement and implementation of the management systems. Additionally, an independent auditor conducted periodic internal audits for the assessment of internal control and risk management of the Company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented. M/s PL Shrestha & Co., Chartered Accountants conducted the internal audit of the Company for FY 2080/81.

Statutory Audit

M/s Joshi & Bhandary., Chartered Accountants audited the books and accounts of the Company for FY 2080/81. The auditor has issued an unqualified report of the financial statements of the Company.

Shareholders' Suggestions and Communication

The recommendations from shareholders have been considered in good faith and implemented in accordance with their merit and the Company's business interest. The Company's quarterly reports, abridged reports, annual report, and AGM minutes are uploaded to its website for information to the shareholders. Shareholder suggestions for ongoing improvement are encouraged and welcomed by the company.

Share Registrar and Share Transactions

Nabil Investment Banking Ltd, Narayanchaur, Naxal, Kathmandu has been the share registrar of the Company since Shrawan 01, 2077. There is no case of share forfeiture and share buyback during the year. The summary of the annual share transaction highlights of the company is as below:

Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length price, as per the best industry practices and prevailing laws. The notes to the financial statements for FY 2080/81 include information on all major transactions the Company made with its subsidiaries and affiliated businesses.

Business Environment and Investment Climate

Nepal, rich in water resources, has vast potential for hydropower development and clean energy generation. However, its current installed capacity of 3,157 MW represents only 6.96% of its feasible hydro potential. While hydropower is key to Nepal's development goals, challenges remain, including wet-season power surpluses, deficits during the dry season, and low domestic consumption due to limited industrialization and a nascent digital infrastructure eg. data centres, IT parks etc.

THE SUMMARY OF ANNUAL SHARE TRANSACTION HIGHLIGHTS OF THE COMPANY

Year	Max. Price	Min. Price	Closing Price	Transaction Days	Transaction (Nos)	Volume of Transaction (in Thousand)	Turnover Amount (In million)
2080/81	324	284	310	229	24,393	3,569.49	843.99
2079/80	377	288	331	236	27,021	2,981.09	980.43

In 1990, the GON adopted a liberal and open market economy policy, which significantly transformed the hydropower sector. This policy reduced administrative hurdles in areas like licensing, registration, and incorporation, providing economic freedom to private entrepreneurs. As a result, private sector involvement in hydropower generation increased substantially, with private investors playing a pivotal role in advancing hydropower development. The open market approach also fostered a competitive environment among manufacturers, suppliers, and service providers within the energy sector, driving efficiency and innovation. The growth of competitive practices has not only boosted the hydropower industry but also ensured benefits for customers, including better options and flexibility. These policy reforms have laid the foundation for the hydropower sector's evolution, enabling it to contribute significantly to Nepal's energy landscape.

Last year, Nepal's hydropower sector contributed to add 473 MW to the national installed capacity. Of the total installed capacity, Independent Power Producers (IPPs) account for 1,915 MW of hydro and 82 MW of solar projects. NEA's sole control of the national grid and constraints in transmission infrastructure have hampered energy utilization, particularly during the wet season. Export-oriented projects, such as the 900 MW Arun-3, 480 MW Phukot-Karnali, and 669 MW Lower Arun, reflect Nepal's ambition to harness hydropower potential for regional trade. The Long-Term Power Trade Agreement with India for exporting 10,000 MW over ten years, combined with 40 MW of power trade to Bangladesh, has expanded cross-border energy markets. The first trilateral power transaction from Nepal to Bangladesh via India is a milestone in regional energy cooperation under the Bangladesh-Bhutan-India-Nepal (BBIN) framework. Expanding and reinforcing high voltage transmission line networks and connecting facilities is critical for the timely power evacuation of larger PROR and reservoir projects, as well as for regional power trade. While the Dhalkebar-Muzaffarpur 400 kV cross-border transmission line has enabled significant trade, delays in other projects like New Butwal-Gorakhpur and Lumki-Bareilly hinder further growth. Addressing these delays is essential to manage surplus energy, enhance system reliability, and meet the increasing domestic and export demands.

The GON, through its Electricity Roadmap, aims to achieve 100% electrification by 2025, generate 28,500 MW of power by 2035, and expand and strengthen transmission and distribution networks. A key milestone in this journey is the NEA becoming a net electricity exporter for the first time, signifying potential national economic growth. In the last fiscal year, electricity exports increased by 44.57%, while domestic consumption grew by 9.46%. Additionally, NEA purchased 28.25% more energy from IPPs during this period. Despite these achievements, challenges remain, including difficulties in selling surplus energy during the wet season and constraints in cross-border markets.

Political instability, along with inconsistent policies, has significantly hindered foreign direct investment (FDI) in the hydropower sector, with key challenges including disputes over PPAs in foreign currency, the absence of effective hedging mechanisms, and delays in finalizing PDAs. Social and economic challenges have further impacted the hydropower sector. Significant youth migration in search of better opportunities abroad has created labor shortages in agriculture and development projects, including hydropower construction. Remittances provide foreign currency inflows but also lead to abandoned rural settlements and increased dependency on imports. Rising petroleum prices, currency devaluation, and high interest rates have inflated costs for ongoing hydropower projects, affecting their financial viability.

Emerging opportunities like green hydrogen production could transform Nepal's energy landscape. Green hydrogen can decarbonize industries like steel, cement, and transport while producing environmentally friendly fertilizers. With abundant natural resources and growing global demand for clean energy, Nepal has the potential to become a leader in green hydrogen. However, high electricity costs pose a challenge to its commercial viability. BPC is piloting green hydrogen production near its existing hydropower plant, collaborating with NORAD and the World Bank.

Hydropower remains a cornerstone of Nepal's development strategy, contributing to national economic growth through increased domestic consumption and exports. Overcoming challenges in policy, infrastructure, and investment while leveraging innovative technologies will be essential for sustainable energy development and long-term prosperity.

THE YEAR AHEAD

The year ahead is going to be challenging in terms of construction works for MMHEP and KAHEP. While the financial closure of MMHEP has been achieved recently, ensuring smooth loan disbursement and timely execution of the project is required. Similarly, completing the PDA and achieving financial closure for LMMHEP requires focused efforts with our Chinese and banking partners.

Achieving planned milestones in the construction of KAHEP, MMHEP and CKHP will be key priority in 2025. Initiating and concluding PDA negotiations for UM2HEP is important to obtain the PPA and Generation License. The following key works are expected to be initiated/ completed in FY 2081/82.

- Transfer of project license and assets to the SPV for LMMHEP.
- PDA negotiation and initiation of financial closure for LMMHEP.
- PDA negotiation and process for PPA of UM2HEP.
- License transfer to SPV and PPA signing for CKHP.
- Financial closure, contractor appointment and construction start for CKHP.
- Progressive construction of KAHEP, MMHEP and CKHP.
- Start of pilot project on Green Hydrogen.
- Tariff revision for Andhikhola Distribution.
- Optimise fund management for equity investment in projects.

> **“Hydropower remains a cornerstone of Nepal’s development strategy, contributing to national economic growth through increased domestic consumption and exports.”**

ACKNOWLEDGMENT

We are grateful to the Government of Nepal, Ministries and Departments, Electricity Regulatory Commission, Nepal Rastra Bank, Investment Board Nepal, Securities Board of Nepal, Nepal Electricity Authority, foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, electricity consumers, and other stakeholders who have contributed, supported and provided valuable feedbacks directly or indirectly towards the betterment of the Company in the FY 2080/81.

We thank the members of the Board Committees, the Management Team, and all employees for their dedication and contributions to the Company, and to our shareholders for the trust rendered to us.

On behalf of the Board of Directors

Padma Jyoti
Chairman
Date:

CEO's Perspective

Our two operating plants Andhikhola and Jhimruk, performed well during FY 2080/81 despite reduced river discharge. The overall performance of the Khudi Plant has been satisfactory this year. Nyadi Hydropower Plant (NHP) continued to operate under contingent evacuation plan due to delays in completing the 220 kV Marsyangdi Corridor Transmission Line, limiting power evacuation and revenue generation.

Despite plant availability, NHP has had to run at lower capacity for the last three years due to dispatch instructions from NEA. NEA has now agreed to end the contingency and reinstate the "take or pay" PPA by the end of FY 2081/82. We have also focused on timely repair/maintenance, river training work, and flood monitoring, as well as cost minimization to get our plants to operate optimally. However, finalizing operational modalities, signing a new PPA, and forming a JV company for the 60 MW Khimti Plant has been delayed and affected the Company's dividend income.

The progress in project development has been gradual, achieving key milestones such as securing the PPA and SPV formation for the Lower Manang Marsyangdi HEP, obtaining government land lease and tree-cutting approval for the Manang Marsyangdi HEP, and finalizing DPR and investment approval for the Upper Marsyangdi-2 HEP. Construction of Kabeli-A HEP is ongoing and this plant is expected to be commissioned within a year. Preparations for the construction of Chino Khola HEP are progressing well, with key milestones including initialized draft PPA with NEA, GON Cabinet approval for land leasing and tree cutting, and the commencement of private land acquisition. Additionally, the loan agreement with China EXIM Bank for Manang Marsyangdi HEP has been signed, and construction has started.

BPC continues to identify and assess new hydropower projects and business opportunities as part of its growth strategy. The Company is also exploring acquisitions of under-construction and operational plants. Looking ahead, we remain focused to scaling our capacity and diversifying our portfolio to include other renewable energy sources such as solar and hydrogen. We have received Survey License for 10 MW Solar Project in the vicinity of Jhimruk Power Plant and completed its Feasibility Study and IEE. Recognizing the potential of Green Hydrogen for clean energy and carbon reduction, BPC is initiating a pilot project to explore this emerging technology for future advancements.

We are making every effort to contribute to the generation of renewable energy sources in Nepal by blending new technology, human & financial resources, and experiences to meet the expectations of our stakeholders.

The year has not been without challenges. Sustaining the distribution business remains a major concern, as it continues to incur significant operating loss every year. The annual loss of distribution business is increasing continuously. The tariff revision approval process at ERC has been ongoing for two years and we expect to secure approval and begin implementation soon. However, even with increased tariffs, the Company's distribution business is loss making and therefore not sustainable.

The implementation of the Lower Manang Marsyangdi and Upper Marsyangdi-2 HEPs under Marsyangdi Cascade Projects is underway. Securing bankable PPAs, PDAs, and hedging arrangements remain critical for international financing. The Company is planning to complete the PDAs for both the projects within a year.

Hydroelectricity offers a sustainable energy source, with the potential to reduce our nation's large trade deficit from petroleum imports, mitigate the impact of climate change, and achieve energy self-reliance. However, Nepal faces the challenge of surplus energy during wet season due to market constraints, even as its generation capacity nears 5,000 MW. Strategic planning for increased domestic consumption and cross-border power trading is essential to fully utilize this capacity. Timely construction of cross border transmission lines, expansion and strengthening of transmission & distribution networks and substations, policy harmonization to increase per capita energy consumption and power trading to newer markets are vital strategies.

Accounting for over two-thirds of installed capacity, IPPs have been instrumental in advancing Nepal's energy security, balance of payment and sustainability goals. The private sector seeks investment-friendly policies, including bankable PPAs, acceptable PDAs, efficient approval processes, tax exemptions, facilitation for land acquisition and sociopolitical hindrances. However, private investors are exposed to financial risks as NEA struggles to sell surplus energy. Hydropower development in Nepal requires a balanced mix of RoR, PRoR, and storage projects to stabilize supply and demand.

The eagerly awaited new Electricity Bill approved by the Council of Ministers and under parliamentary review is expected to allow private developers to enter power trading, breaking NEA's monopoly and providing access to the market for private sector participation. This legislation could transform Nepal's energy sector, fostering a more competitive and sustainable energy future. As a leader in clean energy market in Nepal, BPC seeks sustainable investments, safeguarding the environment, uplifting communities, prioritizing employee welfare, and enhance stakeholders' value. Together, we can achieve greater milestones and make a meaningful difference in shaping a sustainable energy landscape.

> **“We are making every effort to contribute to the generation of renewal energy sources in Nepal by blending new technology, human & financial resources, and experiences to meet the expectations of our stakeholders.”**

I would like to extend my sincere gratitude to GON, NEA, international and domestic partners, shareholders, bankers, auditors, and other stakeholders for their invaluable support. Furthermore, I would like to extend my sincere thanks to the Board of Directors and its Committees for their continual guidance and support in pursuing the business of the Company. I also want to thank my fellow executives and employees for their dedication and hard work.

Thank you.

Uttar Kumar Shrestha
Chief Executive Officer

Jhimruk Plant: Power House

Corporate Governance Report

The Company follows a Corporate Value Framework that includes core values, business principles, and a code of governance and ethics. Upholding stakeholder trust is vital as the Company strives to align with its vision, mission, and values of ethical, honest, and transparent operations. Committed to transparency, accountability, and fairness, the Company ensures integrity in its interactions with shareholders, stakeholders, and regulatory bodies, promoting enterprise values and safeguarding shareholder trust through honest and transparent business practices.

SHARE OWNERSHIP STRUCTURE

The major shareholders of the Company and their shareholding is as follows:

Shareholder	% Holding
Government of Nepal (GoN)	7.42%
United Mission to Nepal (UMN)	1.37%
Nepal Electricity Authority (NEA)	0.86%
Shangri-La Energy Limited (SEL)	56.30%
IKN Nepal AS	1.58%
General Public (including employees)	32.47%
Total	**100%**

The number of shareholders of the Company was 68,401 at the end of FY 2080/81.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Board of Directors

The Company's governing body is the Board of Directors. In accordance with the requirements of the Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018, the Board has formed various Committees. The Board of Directors has appointed a Management Team led by the Chief Executive Officer (CEO). The Board, Committees, and Management Team each have distinct and well-defined roles. The Committees guide the Management Team and recommend to the Board for decisions within the scope of their work. The Management Team manages and executes the Company's operations under the direction of the Board and its Committees.

Responsibilities of the Board

Adhering to the prevailing corporate governance standards, the role of the Board is distinct from that of the Management. The Board reviews and discusses the Company's performance, plans, major business strategies, risk management, and other strategic issues. It also assumes accountability for overseeing the overall direction and management of Company affairs. All the Directors are obliged to act in good faith, prioritizing the best interests of the Company and recognizing their individual and collective responsibilities towards the shareholders.

The Chairperson, in particular, is tasked with providing strategic direction and effective conduct of Board meetings by ensuring that Board members have sufficient information to make informed decisions on any agenda presented to the Board.

Board Composition

The Company has seven Directors, and the position of one Director and one Independent Director is currently vacant. The Company's Directors are as follows:

Name	Position	Representation
Mr. Padma Jyoti	Chairperson	SEL
Mr. Pradeep Kumar Shrestha	Director	SEL
Mr. Bijaya Krishna Shrestha	Director	SEL
Mr. Om Prakash Shrestha	Director	SEL
Mr. Raju Maharjan	Director	GON
Ms. Bina Rana	Director	General Public
Mr. Tirtha Man Shakya	Independent Director	Independent Director
Mr. Bijay Bahadur Shrestha	Alt. Director	SEL
Mr. Sanjib Rajbhandari	Alt. Director	SEL

Mr. Hari Bahadur Budhathoki has been serving as Company Secretary.

Board Meetings

The Board has the practice of fixing its annual meeting calendar before the start of each FY. Altogether, 12 meetings were held in FY 2080/81. To ensure adequate and active discussion on the agenda before coming to resolutions, the Board meeting notice, agenda, and agenda materials are communicated to the Directors well in advance of the meetings. The longest gap between meetings was 53 days and the shortest was 7 days. Attendance for the Board meetings were as follows:

Name	Designation	Meetings Attended
Mr. Padma Jyoti	Chairperson	12/12
Mr. Pradeep Kumar Shrestha	Director	11/12
Mr. Bijaya Krishna Shrestha	Director	12/12
Mr. Om Prakash Shrestha	Director	11/12
Mr. Raju Maharjan	Director	12/12
Ms. Bina Rana	Director	12/12
Mr. Tirtha Man Shakya	Independent Director	12/12
Mr. Bijay Bahadur Shrestha	Alt. Director	11/12
Mr. Hari Bahadur Budhathoki	Company Secretary	12/12

There was no case of postponement of the Board meeting due to lack of quorum. The minutes of all Board meetings have been maintained separately. The Company has a Code of Conduct and Ethics, which applies to Directors as well. All Directors have been providing their personal details to the Company within the deadline specified by the Companies Act, 2006.

Fee and Allowances of Directors

The allowances of the Board members as approved by the 27th Annual General Meeting (AGM) held on Poush 24, 2076 are as follows:

1. The meeting fee for attending the meeting of the Board and the Committee formed by the Board is NPR 10,000 per meeting;
2. The transportation allowance is NPR 10,000 per month for Chairperson and NPR 8,500 per month for other Directors;
3. The information communication and technology allowance for all Directors is NPR 5,000 per month;
4. Allowance for special task assigned to the Board members if any, as decided by the Board on reasonable ground;
5. Travel allowances (TA) and Daily allowances (DA) – Actual expenses incurred for domestic travel and in case of foreign travel DA will be US$ 150 except for India or actual expenses incurred as the case may be; and
6. Other facilities – Insurance (Group personal accident (GPA), and international travel) as decided by the Board.

The Company paid NPR 2,512,000 to Directors as meeting fees and allowances in FY 2080/81. Further, the Directors were covered under GPA insurance policy procured by the Company.

Board Committees

The Company has three mandatory Committees: Audit Committee, Risk Management Committee, and Assets & Liabilities Committee as per the regulatory requirement, and three other Committees: Finance Committee, Operation & Maintenance Committee, and Marsyangdi Cascade Projects Committee as per the business needs of the Company.

Audit Committee

The Audit Committee is comprised of three Board members. The meeting of Audit Committee is normally held quarterly. CEO and VPs attend the meeting of Audit Committee as management invitees and Company Secretary acts as Secretary of the Audit Committee.

Composition

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Ms. Bina Rana, Director	Member
Mr. Bijaya Bahadur Shrestha, Alternate Director	Member

The Audit Committee had 3 meetings in FY 2080/81.

The Audit Committee re-appointed an internal auditor for FY 2080/81 and recommended to 31st AGM of the Company to appoint the Statutory Auditor for FY 2080/81. The Audit Committee perused audit reports and financial statements of the Company and provided necessary guidance to the Management and recommended to the Board.

Risk Management Committee

The Risk Management Committee (RMC) is comprised of three Board members. The meeting of RMC is normally held quarterly. CEO, Chief Risk Officer (CRO), VPs, and Compliance Officer attend the RMC meeting as management invitees and Company Secretary act as Secretary of the RMC. The VP-Finance works as the CRO of the Company.

COMPOSITION

Name	Position
Mr. Bijaya Bahadur Shrestha, Alternate Director	Chairman
Mr. Tirtha Man Shakya, Independent Director	Member
Ms. Bina Rana, Director	Member

The RMC had 3 meetings in FY 2080/81.

CRO submits the report to the RMC on a quarterly basis regarding the overall implementation of risk plans and processes by the management, along with the report on significant risks affecting the business or financial health of the company on a requirement basis. CRO reviews and monitors the risk register prepared by the management.

Assets and Liabilities Committee

The Assets and Liabilities Committee (ALC) is comprised of three Board members. The meeting of ALC is held as per the need basis. CEO and VPs attend the ALC meeting as management invites and Company Secretary acts as Secretary of ALC.

COMPOSITION

Name	Position
Mr. Bijaya Krishna Shrestha, Director	Chairman
Mr. Om Prakash Shrestha, Director	Member
Mr. Raju Maharjan, Director	Member

The ALC had 4 meetings in FY 2080/81.

The Committee reviewed the annual budget performance for FY 2080/81, scrutinized the Annual Budget for FY 2081/82, and the Physical Assets Verification Report prepared by the management.

Finance Committee

The Finance Committee (FC) is comprised of two Board members. The meeting of FC is held as per the need basis. CEO and VPs attend the FC meeting as management invitees and Company Secretary acts as Secretary of FC.

COMPOSITION

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

The FC had 4 meetings in FY 2080/81.

FC contributed to the areas of renewal of insurance policies, re-arrangement of credit facilities, funding plan, fund management, and interest rate risk management in FY 2080/81.

Marsyangdi Cascade Committee

The Marsyangdi Cascade Committee (MCC) is a business Committee comprised of two Board members to advise and recommend the Board to develop strategies and take necessary decisions with regards to MCPs and provide necessary guidance to the management. The CEO attends MCC meetings as management invitee.

COMPOSITION

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Mr. Padma Jyoti, Chairman	Member

The MCC had 1 meeting in the FY 2080/81.

Operations and Maintenance Committee

The Operation and Maintenance Committee (OMC) is comprised of two Board members. The meeting of OMC is held as per the need basis. The CEO, and VP-Operations attend the OMC meeting as management invitees and Company Secretary acts as the Secretary of the OMC. The Committee guides management to establish the power plants operation and maintenance services business as an independent business segment through BPC Services Limited, and review the operation, maintenance, and Asset Management Plan of JHP and AHP.

Composition

Name	Position
Mr. Tirtha Man Shakya, Independent Director	Chairman
Mr. Raju Maharjan, Director	Member

The OMC had 2 meetings in FY 2080/81.

REGULATORY COMPLIANCE AND REPORTING

The Company submitted the Compliance Report for FY 2080/81 to SEBON confirming that the Company has complied with the requirements as per the Listed Companies Corporate Governance Guidelines, 2074. Mr. Tika Ram Bhatta, VP- Corporate has been designated as the Compliance Officer of the Company.

The statutory reports have been submitted to the Electricity Regulatory Commission, Securities Board of Nepal, Nepal Stock Exchange Limited, CDS and Clearing Limited, Office of the Company Registrar, Medium Taxpayers' Office, Department of Industry, Department of Electricity Development and Labor Office in line with the reporting requirements prescribed by the prevailing laws and regulations on a timely manner.

RELATIONS AND COMMUNICATION WITH SHAREHOLDERS AND STAKEHOLDERS

BPC has prioritized timely communication with shareholders and stakeholders to ensure that key messages are consistently delivered. The Company believes that effective communication with shareholders is critical for them to have a clear assessment of the Company's performance. Feedback received during the 31st AGM, which was held on January 14, 2024, has been duly considered as potentially beneficial to the Company. The AGM was attended by 408 shareholders.

The notice of the 31st AGM and Abridged Financial Report of the Company, the minutes of AGM, quarterly financial reports of the Company were published in newspapers and on the Company's website for the convenience of shareholders and other stakeholders. Any other information about the Company required to be disclosed under prevailing laws has been timely disseminated. BPC maintains a website where important information about the Company's activities and corporate matters is uploaded according to the requirement of the Right to Information Act, 2064 and Right to Information Rules, 2065.

MANAGEMENT

The management performs and delivers the Company's business under the guidance of the Board and its

Committees. Management is led by the CEO. A comprehensive report on key initiatives undertaken during the year, segment performance, five-year financial review, achievement, and the future outlook is prepared and published in the Company's Annual Report. The total amount paid to the Company's Top Management (CEO, VPs, and Senior Manager- BD&P) in FY 2080/81 is NPR 20,416,928.

HUMAN RESOURCE

The Company's foundation is its human resources. The total number of employees of the Company was 173 in FY 2080/81. A cordial relationship has been maintained with the Employees Union. The Company conducted Labor Audit for the FY 2080/81 and submitted the report to the Labor Office. The Company carried out the Annual Performance Appraisal and Job Analysis of individual employee in FY 2080/81. The Company has effectively optimized the use of its existing human resources, including implementing job sharing and facilitating internal employee transfers. The personnel expenses for FY 2079/80 was 20.60% of the total expenses of the Company.

SHARE REGISTRAR

NABIL Investment Banking Limited has been appointed and is working as Share Registrar of the company effective from Shrawan 1, 2077.

DIVIDEND DISTRIBUTION

The 31st AGM had approved for distribution of 5% cash dividend from the net profit of FY 2079/80. The dividend was distributed as per the decision of Board and the approval of Ministry of Finance pursuant to Section 182(2) of the Companies Act, 2006.

TRANSPARENCY AND DISCLOSURES

The Company adheres to the principle of operational transparency and makes disclosures as required. The disclosures are communicated to SEBON and the capital market through quarterly and annual reporting for the benefits of shareholders and stakeholders of the Company. The notes to the financial statements also contain disclosures on related-party transactions, contingent liabilities, and other pertinent information.

RISK MANAGEMENT

The Enterprise Risk Management System has been implemented throughout the Company by identifying, assessing, planning, evaluating, controlling, and monitoring risk. The Company analyzes risk on a regular basis using the major, high, moderate, minor, and insignificant risk measurement matrix and implements the appropriate risk mitigation strategy. Risks are managed in accordance with Company policy and as required. The RMC set up by the Board has been monitoring the risks associated with the activities carried out by the different business units of the Company. Management reports quarterly to RMC, and RMC reports annually to the Board on the overall implementation of the risk plan and processes. The Company has procured insurance policies from a reliable insurance company to safeguard the personnel and assets of the Company.

INTERNAL CONTROL AND ACCOUNTABILITY

BPC has a practice of hiring an independent audit firm for internal audits as well. For its day-to-day functions and business operations, the Company has framed Financial, Procurement and Personnel Manuals. The roles, responsibilities, and authority matrix are well defined in the manuals. Meetings of the Board, Committees and management are held on a regular basis. Internal and external communication channels are clearly defined and implemented in the company. A well-defined risk management system is in place.

To guarantee operational effectiveness and efficiency, the accuracy of financial reporting, and compliance with relevant laws and regulations, the Company hired independent auditors and consultants. The Audit Committee reviews the internal audit reports, and it makes decisions based on those recommendations that are then put into practice to improve the Company's financial governance.

The statutory auditor reviews the financial statements in accordance with the Nepal Financial Reporting Standard (NFRS) along with the prevailing Acts, Rules and Regulations; and issues the audit report. The Company has been preparing financial statements that are IFRS/NFRS compliant since FY 2073/74. Additionally, the Company has presented consolidated financial statements that comply with IFRS/NFRS. The internal and statutory audit reports state that there was no material breakdown in internal controls and the controls are adequate for the financial records to be relied upon. The Company has maintained proper books of accounts in accordance with the legal requirements and internationally adopted accounting principles and therefore, they accurately reflect the Company's financial situation as of Ashad 32, 2081 in all material respects.

A system of internal controls is set up with a focus on safeguarding assets and providing timely reports on the company's risk management. It covers all controls including financial, operational and compliance controls. The Company believes that internal controls assist management perform its operating and fiduciary responsibilities efficiently, which is crucial for the sustainable growth of the Company.

CORPORATE SOCIAL RESPONSIBILITY

The Company carried out its Corporate Social Responsibilities (CSR) in accordance with the CSR Policy. Under CSR, the Company prioritizes the location and people where it carries out its business. The total contribution made by the Company for CSR in FY 2080/81 amounts to NPR 16.65 million, which is significantly more than the requirement prescribed by the Industrial Enterprises Act, 2020.

ACCOUNTS AND AUDITING

The Company has adopted the NFRS and the books and accounts of the Company have been maintained as per the prescribed standards and in compliance with the applicable laws. The internal audit of the Company for FY 2080/81 was conducted by an independent audit firm, M/S P.L. Shrestha & Co., Chartered Accountants and M/S Joshi & Bhandary, Chartered Accountants conducted statutory audit and certifications of the Company.

SHAREHOLDING OF BOARD OF DIRECTORS IN BPC:

S. No.	Name	Designation	No. of shares held
1	Mr. Padma Jyoti	Chairman	138,517
2	Mr. Pradeep Kumar Shrestha	Director	18,768
3	Mr. Bijaya Krishna Shrestha	Director	333
4	Mr. Om Prakash Shrestha	Director	-
5	Mr. Raju Maharjan	Director	-
6	Ms. Bina Rana	Director	105
7	Mr. Tirtha Man Shakya	Independent Director	-
8	Mr. Bijay Bahadur Shrestha	Alt. Director	12,273
9	Mr. Sanjib Rajbhandari	Alt. Director	8,766

BPC'S REPRESENTATION IN ITS SUBSIDIARIES AND ASSOCIATE COMPANIES

The current status of representation from BPC in the Board of Directors of its subsidiary and associate companies is as follows:

Company	Shareholding (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 Ltd.	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Engineering Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Tirtha Man Shakya Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha	Chairman Director Director Director
Hydro Lab (P) Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Gurans Energy Ltd.	100%	Mr. Bijay Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha	Chairman Director Director
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Om Prakash Shrestha 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 Mr. Prakash Kumar Shrestha	Chairman Director Director Alt. Director Alt. Director
Nepal Hydro & Electric Ltd.	51.30%	Mr. Bijay Bahadur Shrestha Mr. Dinesh Humagain Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director
Nyadi Hydropower Ltd.	71.68%	Mr. Om Prakash Shrestha Mr. Pradeep Kumar Shrestha Mr. Bijay Bahadur Shrestha Ms. Bina Rana Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Director Alt. Director Alt. Director
S.C.I.G. International Nepal Hydro Joint Development Company (P) Ltd.	20%	Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Director Director
Manang Marshyangdi Hydro Power Co. (P) Ltd.	19.40%	Mr. Pradeep Kumar Shrestha Mr. Uttar Kumar Shrestha	Director Director
Himtal Hydropower Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director
Marshyangdi Transmission Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director

TOP MANAGEMENT AND SENIOR EXECUTIVES

The CEO leads the overall management of the Company, while the Senior Vice-President/Vice Presidents/Function Heads lead the functional management. The names and designations of the senior executives are as follows:

S.N.	Name & Designation	Educational Qualification	Year of Experience	Remark
1	Mr. Uttar Kumar Shrestha, CEO	Chartered Accountant, M.B.A.	38 years	
2	Mr. Sanjaya Krishna Shrestha, Sr. VP-Investment & Projects	M.B.A.	20 years	
3	Mr. Pratik Man Singh Pradhan, VP-BD&P	M.S. (Hydropower Planning & Development and Civil & Environment Management)	30 years	Deputed to SINH as DGM
4	Mr. Radheshyam Shrestha, VP-Finance	Chartered Accountant, M.B.A.	44 years	
5	Mr. Tika Ram Bhatta, VP-Corporate	M.A. (Pol. Science), Master of Management Studies (M.M.S.)	43 years	
6	Mr. Prakash Kumar Shrestha, VP- Operations	B. Tec. (Electrical), M.E. (Electrical; Diploma), M.B.A.	30 years	
7	Mr. Ganesh Prasad Khanal, Chief Manager- BD & P	B.E. (Civil), M.B.A.	30 years	

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 78

CHAIRPERSON

- B.Tech. in Mechanical Engineering from IIT Kanpur, India and S.M. from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 21 years of experience in hydropower along with 52 years of experience in industries and business operations

- Chairman, Jyoti Group
- Director, Shangri-La Energy Ltd.
- Alternate Director, Salico Insurance Co. Ltd.
- Founder & Immediate Past President, National Business Initiative
- Chairman, Board of Trustees, Madan Bhandari University of Science & Technology (MBUST)

Mr. Pradeep Kumar Shrestha, 64

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal
- More than 21 years of experience in hydropower along with 39 years of experience in industries and business operations

- Managing Director, Panchakanya Group of Industries
- Honorary Consul, the Republic of South Africa
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Past President, Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- Director, Shangri-La Energy Ltd.
- Director, Scenic Housing

Mr. Bijaya Krishna Shrestha, 76

DIRECTOR

- B.E (Electrical) and MBA graduate from Southern Illinois University, USA
- More than 16 years of experience in hydropower along with 43 years of experience in the banking, insurance, computer and electronics sector

- Chairman, Beltron Investment (P) Ltd.
- Director, Premier Insurance Ltd.
- Director, Shangri-La Energy Ltd.

Mr. Om Prakash Shrestha, 65

DIRECTOR

- B.E (Civil) from Punjab University, Chandigarh, India
- More than 13 years of experience in hydropower along with 36 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co.
- Director, Interworld Trading

Mr. Raju Maharjan, 52

DIRECTOR

- B.E. (Electrical and Electronics Engineering) from Bangalore University, India, 1996
- M. Tech., Water Resources Development, IIT, Roorkee, India, 2006

- More than 27 years of experience in the engineering field with 25 years in energy and water resource sector
- Senior Divisional Engineer, Ministry of Energy, Water Resources and Irrigation, Government of Nepal

Ms. Bina Rana, 65
DIRECTOR

- Bachelor of Arts (BA) from Isabella Thoburn College, Lucknow University, India
- More than 34 years of professional experience in Banking and Consulting
- Over 28 years of experience (1987-2017) with Standard Chartered Bank Nepal Ltd., including 15 years as a member of the Management Committee and Head of the Human Resources and Corporate Affairs Functions.
- Managing Director, Humsikha Consultancy (P) Ltd since 2018
- Certified Coach, Neuro Leadership Institute (NLI)
- Advisory Board, Human Resources Society of Nepal
- President, Zonta Club of Kathmandu
- Conferred with the 100 Top Global HR Minds award at the World HRD Conference in February 2018
- Recognized as 'HR Manager of the Year 2012' in the country

Mr. Tirtha Man Shakya, 71
INDEPENDENT DIRECTOR

- B. E. (Electrical) Honors from Jadavpur University, Calcutta, India, 1975
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal, 2003
- More than 35 years of experience in various positions in NEA including the position of General Manager, Transmission and System Operation
- More than 13 years of consulting services for NEA, Asian Development Bank (ADB), UNDP, Total Management Services (TMS), Jade Consultant (P) Ltd. and others in the field of Organization and Management Study and Power System Development Projects
- Independent Director, Butwal Power Company Limited since 2019
- Director, Hydro-Consult Engineering Ltd. since 2023
- Member, Nepal Engineering Council
- Member, Nepal Engineers Association
- Life Member, Vice President, Society of Electrical Engineers Nepal (SEEN)
- Life Member, JICA Alumni Association Nepal (JAAN)
- Life Member, Executive Committee Member, The Shakya Foundation Nepal

Mr. Bijay Bahadur Shrestha, 69
ALTERNATE DIRECTOR

- MBA in Finance and Marketing from the University of Delhi, India
- More than 21 years of experience in hydropower along with 38 years of experience in the export sector and more than 23 years of experience in the capital market, banking, financial and insurance sectors
- Director, Shangri-La Energy Ltd.
- Director, Snowlion Carpets (P) Ltd.
- Director, Nepal Lube Oil Ltd.
- Chairman, Nepal Hydro & Electric Ltd.
- Director, Nyadi Hydropower Ltd.
- President, Rotary Club of Himalayan Golfers

Mr. Sanjib Rajbhandari, 65
ALTERNATE DIRECTOR

- Graduate from Mumbai University, India
- 35 years of experience in the IT sector
- Chairman, Mercantile Office Systems (P) Ltd.
- Chairman, Mercantile Communications (P) Ltd.
- Director, Pumori Agro Forestry Industries (P) Ltd.
- Director, Hits Nepal (P) Ltd.
- Director, Incessant Rain Studio (P) Ltd.
- Chairman, Info Developers Pvt. Ltd.
- Chairman, M Nepal (P) Ltd.
- Director, Serving Minds (P) Ltd.
- Director, Himal Power Ltd.
- Chairman, SR Investment (P) Ltd.
- Chairman, SS Investment (P) Ltd.

Project Layout of Marshyangdi Cascade Projects (MCPs)

Management Discussion and Analysis

BUSINESS ENVIRONMENT

Nepal, known for its abundant water resources in South Asia, holds immense opportunities for hydropower development. As the country progresses in infrastructure and resource development, the business environment is becoming increasingly competitive. However, the lack of energy-intensive industries necessitates strategies to boost internal energy consumption, ensuring optimal utilization of renewable energy resources. The GON adopted a liberal and open market economy policy in 1990, promoting economic freedom for private entrepreneurs by reducing administrative barriers. This policy facilitated the growth of private sector involvement, particularly after ending the monopoly of public enterprises in sectors like hydropower, telecommunications, water supply, and airlines. Private sector contributions have significantly increased hydropower generation, while the competitive market has diversified products and services, thus benefiting consumers and driving innovations.

Nepal has signed a Long-Term Power Trade Agreement with India for the export of 10,000 MW of power over ten years. The 40 MW power trading agreement with Bangladesh, facilitated through Indian infrastructure, marks Nepal's first trilateral power transaction. This milestone has opened new opportunities for cross-border power trading and strengthened cooperation under the Bangladesh-Bhutan-India-Nepal (BBIN) framework. While Nepal continues to import power from India during the dry season and export during the wet season, export-oriented projects like the 900 MW Arun-3, 480 MW Phukot-Karnali, and 669 MW Lower Arun further showcase Nepal's ambition to harness its hydropower potential for regional trade.

Despite this progress, challenges remain. Domestic energy consumption is low, with residential consumers making up 91.45% of energy use compared to just 1.26% for industrial consumers. Seasonal power surpluses create challenges for cross-border sales, compounded by delayed transmission line construction. The hiked prices of petroleum products, currency devaluation, unstable bank interest rates and resulting costly commodities have led to difficult living of Nepali people. As a result, the cost of ongoing hydropower projects is going up affecting overall project's financial viability. To ensure the sustainable development of hydropower, boosting internal energy consumption through policy changes and infrastructure improvements is crucial. Expansion of cross-border transmission lines, along with agreements for exporting up to 10,000 MW of power to India and a tripartite agreement with Bangladesh, are key milestones. Additionally, developing storage, pump-storage, and solar projects will balance the system and ensure the reliability of the power market. Under the GON's Electricity Roadmap, Nepal aims for 100% electrification within a year, generation of 28,000 MW power by 2035, and consecutively expanding transmission and distribution networks.

As of the end of the fiscal year 2023/024, Nepal's total installed generation capacity has reached 3,157 MW, including isolated power plants. Among this, IPPs contribute 1,915 MW from hydro and 82 MW from solar, while the NEA holds 583 MW of hydro, 25 MW of solar, and 53 MW of thermal power. Additionally, NEA's subsidiaries add 493 MW from hydropower. Private developers have increasingly expanded their involvement in power generation over recent years. Despite this growth, the country's hydro capacity still represents only 6.96% of its techno-commercially feasible potential. Nepal's domestic energy consumption rose by 9.46% last year, with notable increases in both electricity imports from India (3.38%) and exports (44.57%). For the first time, NEA has become a net exporter, indicating potential national economic growth. The government's focus on

The energy import from India increased by 3.38% and export to India increased by 44.57% as compared to last fiscal year.

10,000 MW trade with India over 10 years and 40 MW export to Bangladesh boost cross-border power trading and BBIN cooperation

hydropower development and export aims to support the country's overall development goals, with the realization of this vision depending on the successful enactment of the new Electricity Bill.

Nepal's investment environment, particularly for FDIs, faces certain challenges. Political instability and inconsistent policies have created hurdles for foreign investment, particularly in the hydropower sector. Additionally, the absence of a stable regulatory framework and favourable conditions for foreign investments has made it challenging to secure bankable PPAs. However, the ERC is actively working to support IPPs by facilitating feasible PPA tariffs, accelerating regulatory approvals, and addressing the NEA's monopoly. To ensure the timely completion of large-scale power projects and reservoir developments, the expansion and strengthening of high-voltage transmission line networks and interconnection facilities are essential.

Nepal's first 400 kV Cross Border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur has been a fundamental mean for cross border power trading. Meanwhile, other cross-border transmission lines are progressing slowly. To support the GON's generation plans and meet the growing electricity demand, it is crucial to establish substations and high-voltage transmission lines, which will serve as key points for power exchange between Nepal, India, and Bangladesh. NEA has already initiated the process for additional cross-border transmission lines, including New Butwal to Gorakhpur, New Duhabi to Purnia, and Lumki to Bareilly, to further enhance cross-border power trading.

Green hydrogen, powered by Nepal's abundant hydro resources, presents a promising opportunity to combat global warming and promote clean energy. This clean-burning molecule has potential applications in industries such as steel, cement, and transport, producing water instead of carbon dioxide. Additionally, green hydrogen can produce green fertilizers, enhancing food and energy security. The Company has initiated a small pilot project near its existing power plant, in collaboration with NORAD and the World Bank to explore the commercial viability of green hydrogen production.

Nepal is moving towards a greener and more energy-efficient future, with increased participation from private developers and a growing focus on renewable energy. Despite the challenges in political stability and investment climate, the country is taking significant steps toward enhancing its energy infrastructure and securing its position as a major player in regional energy markets.

FINANCIAL PERFORMANCE

Nepal Financial Reporting Standards Compliant Financial Statements

The Company has been preparing IFRS/NFRS-compliant financial statements from FY 2073/74 BS (2017) to meet the mandatory requirements of the Institute of Chartered Accountants of Nepal (ICAN). All subsidiary companies have also prepared their financial statements in line with NFRS, and the Group's consolidated financial statements are prepared accordingly.

FINANCIAL RESULT

BPC's net profit stands at NPR 193.99 million this year with a decrease of 36.41% compared to the previous year. Revenue from electricity sales and services also decreased by 4.25% to NPR 693.64 million resulting in decrease in the gross profit by 10.77% to NPR 251.85 million. Operating profit has decreased by 22.90% to NPR 225.80 million from NPR 292.85 million last year, mainly due to reduced write-backs of impairment allowances and lower dividend income. Generation expenses increased marginally by 0.48% to NPR 305.06 million compared to NPR 303.59 million last year, due to increase in purchase of electricity from NEA. Distribution expenses however decreased by 1.33% to NPR 136.73 million from NPR 138.57 million last year. Administrative expenses also decreased by 1.53% to NPR 124.85 million compared to NPR 126.79 million previously. Finance income declined significantly by 54.75% to NPR 46.82 million, compared to NPR 103.47 million last year. This decrease is mainly due to reduced fixed deposit placements as funds were allocated to ongoing project investments.

The EPS decreased to NPR 5.69 from NPR 8.95 last year, while the Company's net worth saw a marginal increase of 0.01% to NPR 7,032.15 million. Investments in shares of unlisted companies has increased by 10.72% (NPR 370.4 million), mainly due to the investment in shares of KEL, MM, Chino and SCIG JVC.

Net Financial Assets

Gross Capital investment in shares and projects recorded at NPR 5,266.30 million in FY 2080/81, which was NPR 4,582.29 million in FY 2079/80. This comprises equity investment in 15 companies and 3 projects in pipeline, including Nepal Hydro and Electric Ltd., Hydro-Consult Engineering Ltd., 4 MW Khudi Hydropower Ltd., 60 MW Himal Power Ltd., 30 MW Nyadi Hydropower Plant, 37.6 MW Kabeli-A Hydropower Project, 139.2 MW Lower Manang Marsyangdi Hydroelectric Project, 135 MW Manang Marshyangdi Hydroelectric Project, 327 MW Upper Marshyangdi-2 Hydroelectric Project, 174 MW Mugu Karnali Project, and 10 MW Solar project at Jhimruk.

Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plants for generation, transmission and distribution shall be continued till Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The net value of these assets stands at NPR 1,801.09 million as on 31st Asadh 2081 and have been treated as leasehold property.

Group Consolidated Financial Statement

BPC holds 100% ownership in Hydro-Consult Engineering Ltd., Gurans Energy Ltd., Chino Khola Hydropower Ltd., and BPC Services Ltd., along with majority holdings in Nyadi Hydropower Ltd., Nepal Hydro and Electric Ltd., and Khudi Hydropower Ltd. All the group companies have prepared IFRS/NFRS compliant financial statements and Group consolidated financial statement is prepared as per the provision of Company Act, 2063 and NFRS.

Consolidated turnover recorded at NPR 2,990.34 million with an increase of 25.02%. Gross profit amounts to NPR 754.61 million with a decrease of 5.91% and profit from the operation is NPR 600.98 million with a decrease of 6.25%. However, the group has earned a Net Profit of NPR 307.64 million mainly due to Gain on Bargain Purchase arising out of acquisition of subsidiaries. Consequently, the group Earnings per Share increased to NPR 10.23, which was negative NPR 0.16 in the previous year. The Net Worth has also increased by 15.88% compared to the last FY.

The financial statements of BPC and the consolidated group financial statements along with detailed notes are presented separately in this annual report.

Gross Capital investment in shares and projects was recorded at NPR 5,266.30 million in FY 2080/81.

Contribution towards National Economy

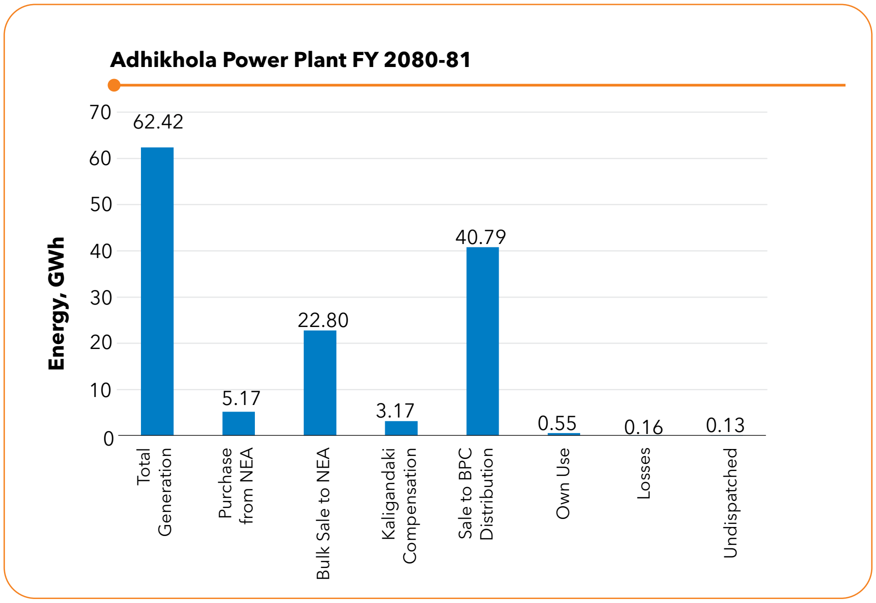
Energy is one of the most important fundamental inputs for businesses and industries for achieving a country's economic development. Energy services influence productivity, health, education, safe water, and communication services. It can improve and even save lives. In developing countries like Nepal, reliable energy supports to expand industry, modernize agriculture, increase trade, and improve transportation. Apart from modernizing agriculture by employing various agricultural tools in a situation where most of the youths are draining to foreign countries for employment, industries can reduce the heavy dependence of the people on agriculture. Like agriculture, tourism and manufacturing industries, hydropower development is one of the major factors of economic development of our country where abundant water resources, favorable geography and market potential are available. Hydropower development has generated employment opportunities for thousands of people and created different businesses due to increased access to electricity. The sufficiency of energy production can reduce import of petroleum products, boosting businesses and industries ultimately contributing to reducing trade deficit. Cross-border power trading is also important with respect to enhancing exports and increasing foreign currency reserves to some extent.

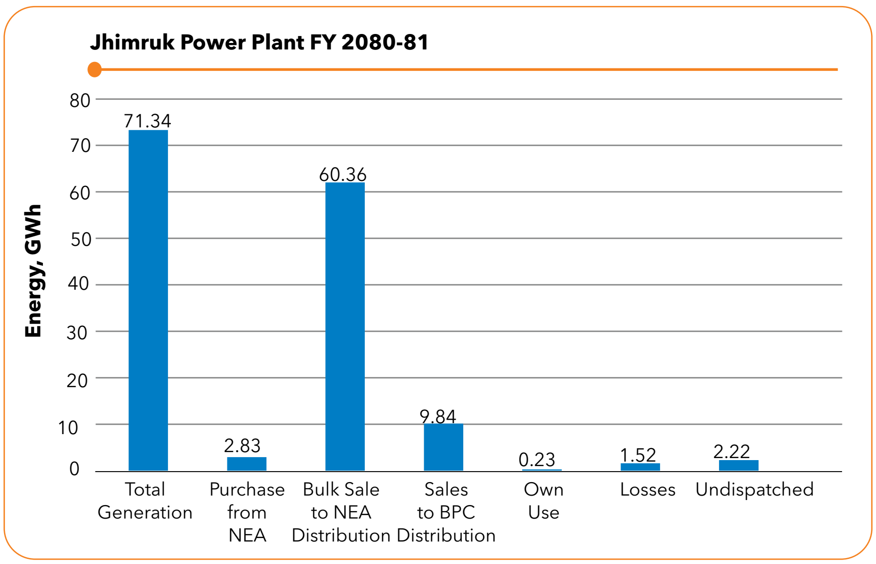
Despite immense hydropower generation potential, the total generation of hydroelectricity in our country is currently limited to around 2,991 MW, which is around 6.96% of its feasible potential and 3.60% of the gross potential. Being most of the generation dependent on the river flow, the generation can come down to one third during the dry season when there is maximum power demand in domestic consumption. It has been compulsion to import power from India to fulfil demand during the dry period and maintain system stability until the storage type hydropower projects like Kulekhani are developed.

BPC, directly operating two power plants and investing in three other power plants is directly contributing to national hydropower generation of 1.84% in terms of MW and 2.54% in terms of energy availability. In terms of the total number of national customers, BPC serves more than 1.19% of them directly connected through its distribution system in Syangja, Palpa, Pyuthan and Rolpa districts of western Nepal.

BPC in partnership with Chinese investors is developing three hydropower projects in Marsyangdi basin in a cascade model, with a total installed capacity of 601 MW with total annual energy production of about 3500 GWh. Likewise, the 30 MW Nyadi Hydropower Plant is operating smoothly, and BPC's equity MW is 55 MW contributing towards national economy to some extent. The Company also has other projects in the pipeline, aiming for future development to achieve sustainable growth in Nepal's hydropower sector and support the government's hydropower generation targets.

From a broader perspective, BPC has been actively contributing to the government's electrification goals by engaging in both generation and distribution businesses for over six decades, creating valuable knowledge and experience across various sectors. Though the Company has not been able to generate large figures for hydropower generation, it is still leading in the hydropower sector of the country by creating value additions in multiple areas. BPC engineers gain technical expertise through the consulting division, management experience through the corporate side, and manufacturing and construction skills through project companies and associates. Engineers with experience in BPC and its subsidiaries are now leading numerous hydropower projects both domestically and internationally. With extensive experience in power plant operations and distribution, many technical professionals have had opportunities to enhance their skills while working at BPC's power plants, and many are now overseeing the operation of hydropower plants across the country.

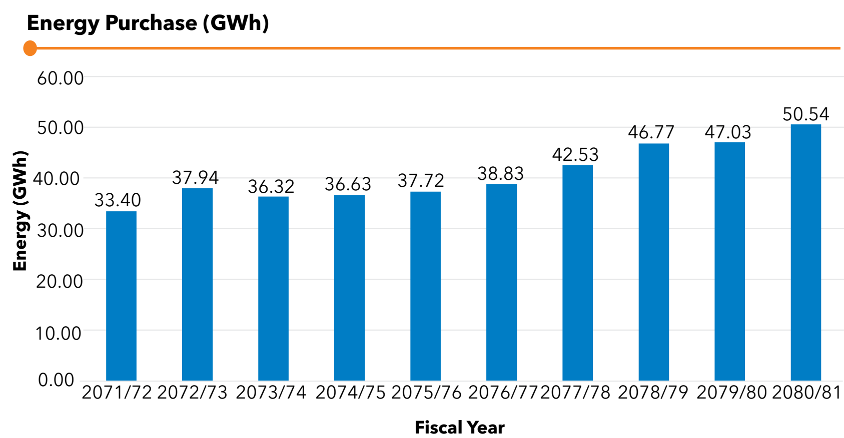




GENERATION BUSINESS

The main objective of the Generation Business Unit is to ensure the smooth operation and maintenance of hydropower plants for the sale of energy to NEA and its own customers. Currently, this business unit is involved in overall operation and maintenance management of two hydropower plants-the 9.4 MW Andhikhola and the 12 MW Jhimruk Power Plants. The core business of the Company is energy generation and sales, which make up for most of the Company's revenue. During the fiscal year 2080/81, the total generation was 133.762 GWh. About 62.548% of the total available energy was supplied to NEA and 35.71 % to BPC distribution.

Andhikhola Power Plant (APP) generated 62.424 GWh with a plant factor of 75.81%. Generation has decreased by 4.08% (2.66 GWh) over the last year. The Plant purchase 5.174 GWh energy from NEA. Out of total available energy, 26.096 GWh (38.605%) was supplied to NEA including Kaligandaki compensation 3.169 GWh, and 40.787 GWh (60.338%) was sold to BPC Distribution. The main reason for decreased generation is low river discharge compared to last year. APP maintained regular electricity supply to BPC Distribution and Local NEA by purchasing energy from NEA Grid during low production and shutdown of the plant.



Jhimruk Power Plant (JPP) generated 71.338 GWh with a plant factor of 67.86%. Generation has decreased by 5.6 % (4.228 GWh) over the last year. The Plant Purchase 2.829GWh energy from NEA. Out of total available energy, 62.576GWh (84.37 %) was supplied to NEA and 9.837GWh (13.264 %) was sold to BPC Distribution. Reduction in generation from the Jhimruk Plant is also due to low river discharge compared to last year. JPP also supplied electricity to BPC Distribution and Local NEA by purchasing energy from NEA Grid during low energy production and plant shutdown.

The high quartz content in Jhimruk river water during monsoon season remained the major factor for the severe erosion of turbine parts this year too. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. Preventive maintenance was carried out as per the schedule. River training has been carried out along the Jhimruk and Madi River for protection of farmers' land and tailrace area from floods. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation during dry periods. The plastic sheets were provided to irrigation canal users of Jhimruk River for optimization of downstream released water.

Under Social Mitigation works, JPP has been financially supporting JIDCO annually for carrying out different activities in the affected areas such as income generation, skill development training, irrigation system improvement and environment development support program.

FUTURE PLANS AND PROGRAMMES

In the F.Y. 2081/82, it has been planned to generate 68.846 GWh from JPP and 68.367 GWh from APP, considering the average river discharge, estimated outage and the off take of additional energy by NEA throughout the year. NEA will be requested for excess energy off take. The repair and overhauling of all turbine parts eroded by silt at Jhimruk Plant will be carried out, while the repair and maintenance of Andhikhola Plant will follow the maintenance procedure. Major maintenance at Jhimruk Plant is scheduled from Jestha to Bhadra to improve turbine efficiency and maximize the generation for the rest of the year. River training works shall be carried out in the Jhimruk River. Social Uplifting programs in affected areas will continue to optimize usage water for increased generation.

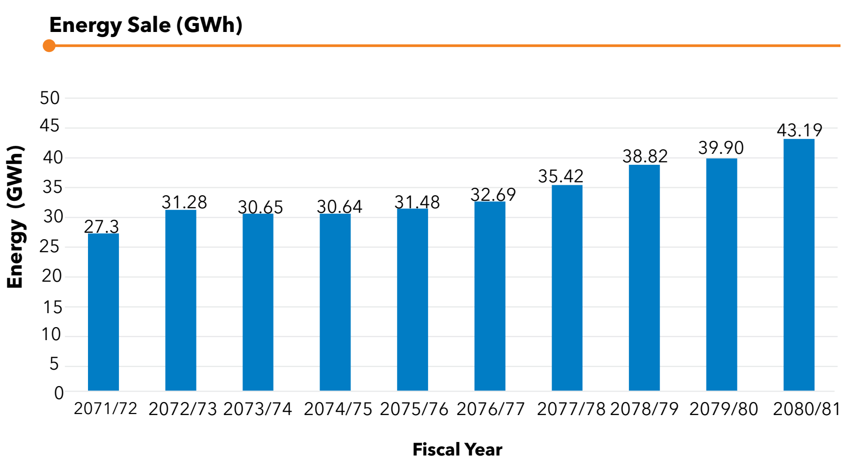
DISTRIBUTION BUSINESS

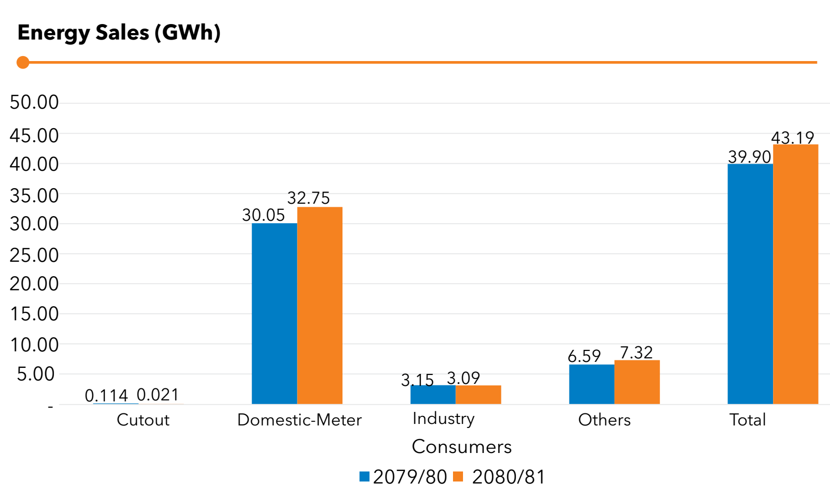
During FY 2080/81, the total energy purchased was 50.54 GWh, which is more than that of last FY. The increase in the purchase is due to a 1.74 % increase in customer numbers this year and a 0.88% increase in the average unit consumption per consumer per month compared to that of last year.

This year, 43.19 GWh of energy was sold to retail customers and 0.05176 GWh was consumed internally. The total sale to consumers has increased by 8.25% compared to last year. The reason for the increase in energy sales is the reduction in distribution loss, increase in customers and a slight increase in average units consumption per consumer per month.

Category	Energy Sale (GWh)		Sale (%)	
	2079/80	2080/81	2079/80	2080/81
Cutout	0.114	0.021	0.29%	0.05%
Domestic-Meter	30.05	32.75	75.31%	75.84%
Industry	3.15	3.09	7.89%	7.17%
Others	6.59	7.32	16.52%	16.94%
Total	**39.9**	**43.19**	**100.00%**	**100.00%**

*Other consumers include commercial, non-commercial, drinking water, irrigation, temple, streetlight, entertainment, and non-domestic customers.



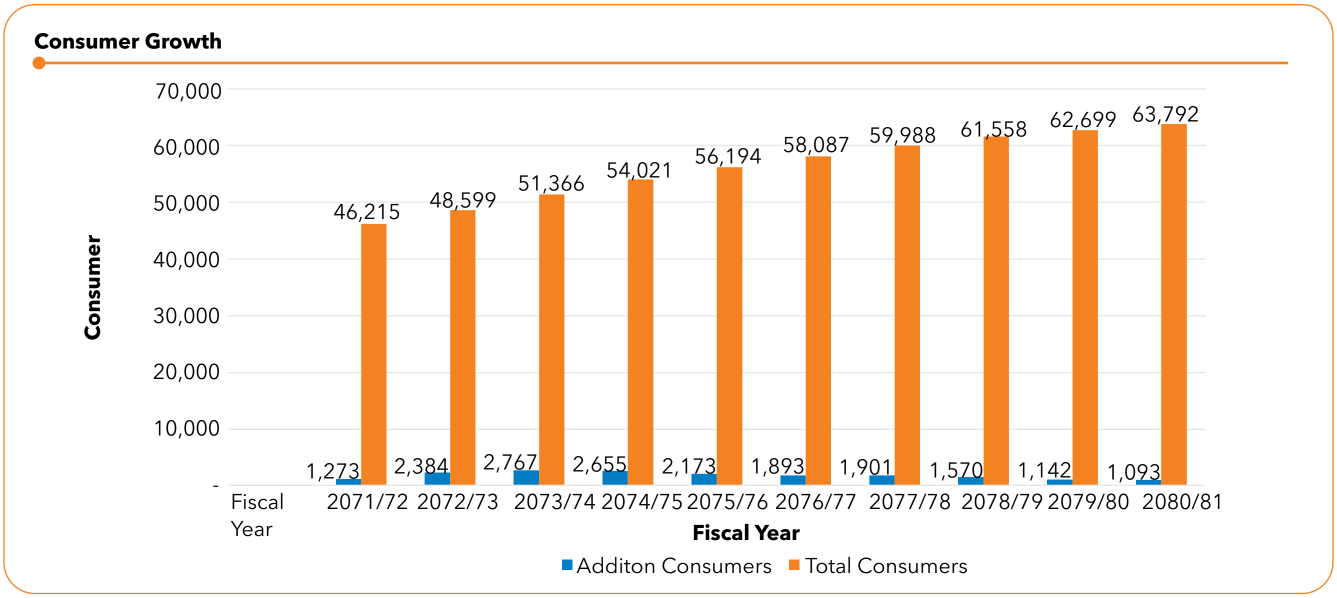


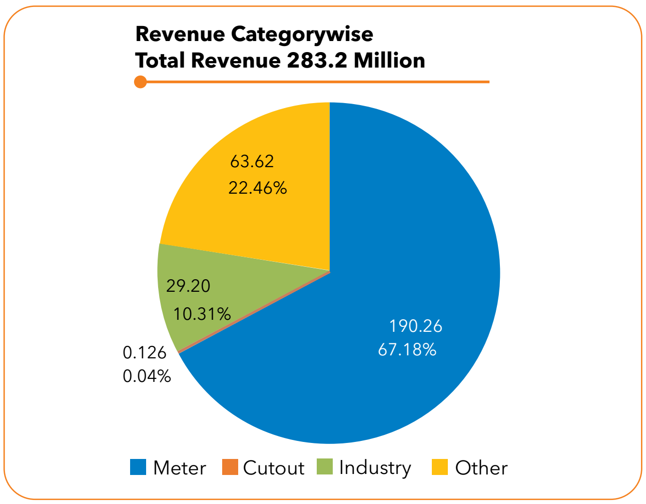
Out of 43.19 GWh sold to retail customers, 32.752 GWh (75.84%) was sold to metered consumers, 0.0208 GWh (0.0483%) to unmetered consumers, 3.0947 GWh (7.166%) to industrial consumers and 7.317 GWh (16.94%) to other consumers. Compared to last year's, there is no significant change in energy consumption patterns of different customer categories this year. A comparison of energy sales to different categories of customers for last FY 2079/80 and this fiscal year 2080/81 are as follows.

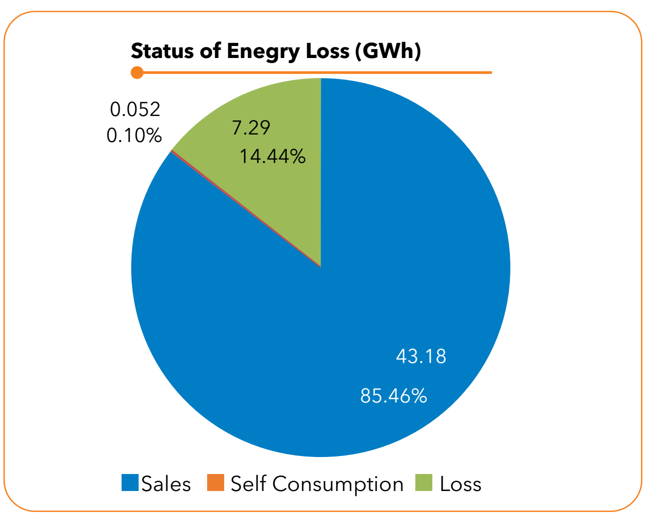
There has been an increase in the revenue generated this fiscal year compared to last year. Total revenue (billed amount) this year was NPR 283.20 million, out of which NPR 29.20 million (10.31%) was from industries, NPR 63.62 million (22.46%) from other consumers, NPR 190.26 million (67.18%) from metered consumers and NPR 0.12 million (0.04%) from unmetered consumers. Energy sales has increased by 8.22% whereas, revenue generation has increased by 8.52% from that of last year.

Loss Management/ Minimization

The total energy loss this year was 7.298 GWh, which is about 14.44% of the total purchased energy whereas the loss in last year was 15.03%. Distribution loss has decreased by 0.59% compared to last year. The reduction in loss was due to distribution networks system improvement works carried out this year. For this, complete metering in network has been initiated and will be continued in the coming fiscal year to help identify high-loss areas and implement effective measures for reduction.







By the end of the FY 2080/81, a total of 63,792 customers have been electrified in the four districts. The number of consumers has been increased by 1.74% compared to that of last year. The increase was mostly due to consumer addition in existing networks and few in new networks constructed in the FY 2080/81.

The consumers have been categorized into three types and their status is as given below.

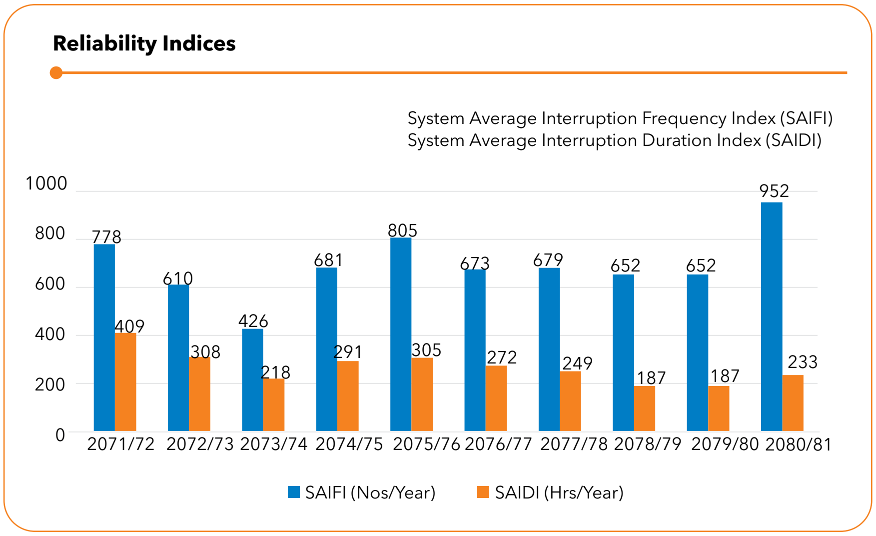
Out of the new 1093 consumers connected this year, 1001 were domestic metered consumers and 92 other consumers. System expansion for consumer addition was done through installation of new transformers of 11 kV & 33 kV increasing the installed capacity from 19600 kVA to 21,875 kVA.

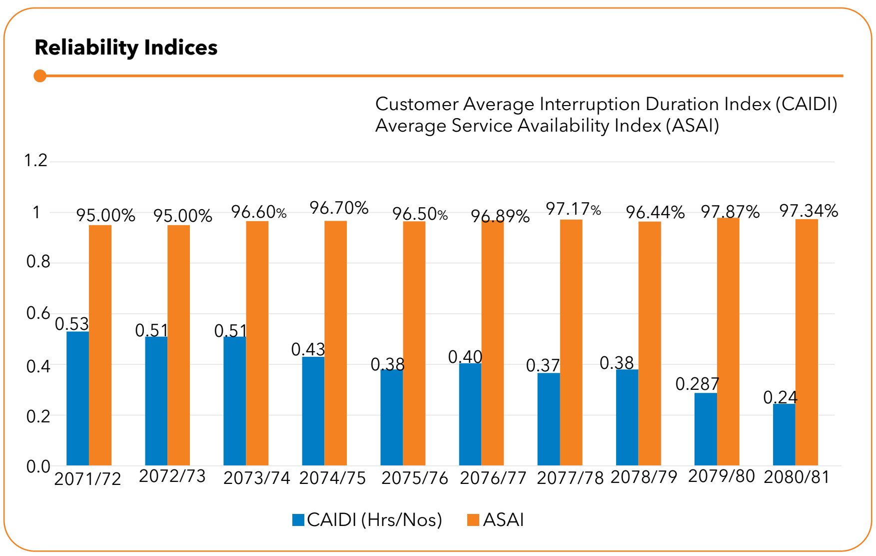
Reliability Indices

The average service availability index in the distribution system this year was 97.34%, which is slightly less than last year.

Customer Relations

Distribution business is committed to providing quality service to its customers. Customer feedback is collected on a regular basis, and grievances are addressed in accordance with the commitment. The average respond time per complain this year was within the time frame specified in the citizen charter. The total User Organizations this year is 116.





FUTURE PLANS AND PROGRAMS

As part of the system expansion, a total of 810 new consumers out of which 24 industrials, 74 other consumers and 712 metered consumers are planned for addition in the FY 2080/81 by construction of 52 KM of 33 kV, 2 KM 11 kV and 175.5 km of low voltage line and addition of 15 nos. of 33 kV & 2 nos. 11 kV transformers installed. It has been planned to continue to install energy meters in distribution transformers of all the remaining feeders for loss monitoring.

MAJOR CHALLENGES

The major challenge for operating the distribution business is sustainability. Despite annual revenue growth, BPC's distribution business is incurring significant revenue loss every year. The annual loss of distribution business is more than NPR 120 million and increasing annually. The primary reasons for such revenue loss are low tariff rates at Electricity Distribution Centre, Galyang, which is about 33% less than that of NEA, higher energy purchase rate (commercial rate NRS 10.80 per unit) from NEA to supply electricity to the local consumers, rural setting of distribution area and huge financial requirement for distribution network expansion & maintenance. The revenue loss can only be reduced by increasing the tariff rates. Since rural electrification is a loss-making business, BPC has been doing this as a social contribution. The tariff revision approval process at ERC has been ongoing for the last two years and is expected soon for approval and implementation. Even with the increased tariff, the distribution business cannot be sustained for long so the process for handover of distribution business to GoN has also been initiated.

The implementation of Marsyangdi Cascade Projects is only possible with favorable PPA and PDA for international financing. NEA being the sole utility to manage Nepal's power sector, continued addition of hydro plants, sale of energy had posed a serious challenge during wet season. Marketing arrangements and options for domestic power consumption must be explored by strengthening transmission and distribution systems to be more reliable. Nyadi Power Plant is operating under contingent power evacuation so that the power is partially evacuated adversely impacting the revenue generation and financial returns. The Marsyangdi Corridor 220 kV Transmission Line was not completed on time, causing challenges for several hydropower plants in the corridor, including the Nyadi project. The recently amended hedging policy, while published, still presents many uncertainties regarding aspects such as rates, sharing ratios, eligibility, and the implementing agency. As a result, it appears to be less conducive to attracting FDIs in the hydropower sector. Nepali conservationists have expressed outrage over the Ministry of Forest and Environment's recent proposal to scrap existing guidelines through the backdoor to make it easier for developers to build large-scale hydropower plants inside the country's protected areas. There are challenges related to Nepal's forest policies and time-consuming approval processes including forest clearing and land leasing.

It has been six years since the generation license was issued for Manang Marsyangdi and Lower Manang Marsyangdi HEPs, the delay in PPA, PDA and finalizing the hedging policy, the financial closure could not be completed timely, and the Company is losing opportunity of generating revenue and challenging timeline to achieve RCOD leading to huge penalty. Financial closure has been completed for MMHEP and the process has not yet started for LMMHEP.

PROJECT DEVELOPMENT

Kabeli Energy Limited (KEL), an SPV of BPC, is making significant effort into the development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP). PPA was signed with NEA on 24th September 2015. Under recovery plan, PPA with NEA has been amended on RoR basis with posted tariff rate and arranged local financing. After the exit of InfraCo Asia, BPC is developing the project in partnership with Arun Kabeli Private Ltd. (AKPL) for equity financing with 60:40 ratio and debt financing with Nepalese Consortium Banks led by Kumari Bank Ltd. The construction of the project is progressing smoothly, and the project is expected to be completed within a year.

KAHEP is located in the Panchthar and Taplejung districts of Koshi Province. The water will be diverted through a 4.5 km long tunnel into a Powerhouse located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132 kV Kabeli Corridor Transmission line from the switchyard located at the Powerhouse site of the project.

Chinokhola Hydropower Project (CKHP) began after DOED granted the Survey License to BPC in 2015, with the Feasibility Study and EIA completed by 2020, with the project's capacity set at 7.9 MW as a RoR project. EIA approval was granted by the Ministry of Forest and Environment in 2020. Generation License has also been granted to BPC by DOED in July 2022. The Connection Agreement with NEA has already been achieved, and the PPA is in progress. The PPA process could not be expedited due to the limited quota for RoR project set by NEA. The government decided to open all hydropower projects smaller than 10 MW for PPA and draft PPA was initialized then. The final PPA will be signed by Chinokhola Hydropower Ltd (CHL), a recently incorporated SPV of BPC. The industry registration and license transfer process for CHL is ongoing. The project is being undertaken for construction at the earliest so that the power to be generated from the plant can be ready during the construction of Marsyangdi Cascade projects.

The Council of Ministers approved the 5.941 hectares of government land and removal of 104 trees within this land area required for the construction of Chino Khola Hydropower project dated 2081/02/23. The lower platform of the ropeway, penstock alignment, powerhouse, tailrace, and access roads are located on private land, with 37 plots identified for acquisition. Land acquisition and distribution of compensation have already begun. The project is required to purchase atleast 5.941 hectares (117 ropani) of private land and transfer it to the Department of National Parks and Wildlife Conservation (DNPWC) for the use of government land, for which the land purchase and handover to the government has been completed.

Discussions with the potential Chinese contractor (QYEC) regarding the project layout and EPC contract model are ongoing. EPC bid documents, including sealed cost estimates, have been provided to the contractor for a budgetary offer. Under the EPC model, the contractor will carry out the Detailed Design, which will be reviewed and approved by the Owner's Engineer. Once the PPA is signed and financial closure with the banks is achieved, the EPC contractor will be mobilized for construction. The project is expected to be commissioned within two years of the start of construction.

Mugu Karnali Hydropower Project (MKHP): BPC identified Mugu Karnali Hydropower Project (MKHP) and received Survey License on 2074/08/07 with an initial capacity of 160 MW. Feasibility Study of the project has been completed and the project capacity is optimized at 173.47 MW.

Based on the feasibility report, the team mobilized for EIA study for preparation of ToR and Scoping Documents identified that the project area is located within the buffer zone of Rara National Parks and prior consent is required from Department of National Parks and Wildlife Conservation (DNPWC), Ministry of Forest and Environment (MOFE) to carry out the Feasibility Study and EIA. The consents have been received. For prior submission of application for Generation License and to start the EIA study, the Survey License needed to be amended at the optimized capacity 173.47 for which the application was submitted to DOED on 2079/05/01. However, Ministry of Energy, Water Resources, and Irrigation (MOEWRI) decided to amend the project from RoR to PRoR, and no consent has been granted for the optimized capacity of 173.47 MW due to license area overlapping issues with downstream storage project being developed by Vidhyut Utpadan Company Ltd. (VUCL).

The license boundary of MKHP overlaps with that of Mugu Karnali Storage Hydropower Project (MKSHP), for which VUCL received the Survey License on 2075/03/15, after BPC was issued its license. As per VUCL, the storage project is feasible only with the overlapped boundary. Similarly, for BPC also the project is only feasible only with the overlapped area. Since the survey license was valid until 2079/08/06, BPC submitted the application for Generation License in advance to DOED.

Currently there is no ongoing transmission line projects along the Karnali Corridor. However, Nepal Power Transmission network has proposed 220 kV line up to the project site and up to Betan- Phukot for Betan Karnali Project, bidding for 400 kV transmission line is already in process. Unless there is transmission line project near the MKHP with timeline of readiness to evacuate the power of Mugu Karnali, no connection agreement and PPA with NEA can be signed.

Marshyangdi Cascade Projects (MCPs): BPC has formed a joint venture company named SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. with three Chinese Companies of Chengdu, Sichuan Province, the People's Republic of China to develop three hydropower projects in Marshyangdi river. Manang Marshyangdi Hydropower Project (M1), Lower Manang Marsyangdi Hydropower Project (M2) and Upper Marsyangdi-2 Hydropower Project (M3) are in Lamjung and Manang districts. M1, M2 & M3 are to be developed as a cascade project with the collaboration of Chinese companies SCIG International Ltd., Xingcheng International Investment Co. Ltd., QYEC International Co. Ltd., and SCIG International Nepal Hydro Joint Development Company (P) Ltd. through respective project companies. Manang Marshyangdi Hydropower Company Private Ltd. (MMHCPL) will develop 135 MW Manang Marshyangi HEP; 139.2 MW Lower Manang Marsyangi HEP (LMMHEP) will be developed by an SPV which is under incorporation process; and Himtal Hydropower Company Private Ltd. will develop 327 MW Upper Marsyangdi-2 HEP (UM-2HEP). The three projects M1, M2 and M3 are interconnected cascade projects with maximum utilization of resources named together as Marsyangdi Cascade Projects (MCPs).

The project acquisition process began in 2017. As part of the preparatory works, several key activities were undertaken, including upgrading the Beshisahar to Chame road to ensure smooth transportation of goods and people to the project area. Additionally, camps were constructed at Danaque, Manang, an access road and bridge were built to connect the powerhouse site of

MMHEP Powerhouse Area

MMHEP, further field investigations and re-optimization of MCPs were conducted, and feasibility reports were updated alongside a supplementary EIA study.

While starting the PPA process in 2018, the prevailing NEA policy to sign PPA in US$ for FDI projects bigger than 100 MW suddenly changed, and NEA declined to sign PPA in US$. The concept of hedging mechanism was brought up by GoN and policy was developed. In the meantime, Covid-19 pandemic in 2020 and 2021 affected two years, which delayed PPA and PDA processes, no clear hedging policy came up and delayed financial closure process pushing back the project's construction timeline. While a hedging policy is now in place, it lacks clarity and has not proven as investment-friendly for foreign investors as initially anticipated, further complicating efforts to advance the project.

Manang Marsyangdi Hydropower Project (135 MW): Generation License of the project was issued on 17th November 2018 at 282 MW as a RoR project, amended to 135 MW as PROR project in 2022 after re-optimization under MCPs. The PPA with NEA has been concluded in Nepali currency but the coverage of exchange risks is yet to be addressed adequately through hedging policy. The PDA with MoEWRI has also been signed. After the signing of PDA even without clear hedging policy, financial closure with China EXIM Bank has been completed. EPC Contract has already been signed and the contractor has been mobilized to start preparatory work at site. The supplementary EIA at 135 MW got approval from the MoFE. In line with the approved EIA and Revised Environment Management Plan (REMP), cabinet approval has been granted for using government land and tree cutting. The project needs 33.47 hectares of government land and about 5 hectares of private land for construction of the project. The project company acquired 33.47 hectares of private land and transferred to the government as a replacement for the equivalent government land area, as approved by the cabinet. Private land for permanent structures has also been purchased and temporary land has also been leased.

The under construction 220 kV Marsyangdi Corridor Transmission Line will evacuate power from LMMHEP through interconnection at Manang Switching Station. NEA is progressing with the construction of the switching station in Manang.

Lower Manang Marsyangdi Hydropower Project (139.2 MW) is located in the southern part of Manang district along the Beshisahar-Chame road, from Danaque to Niyaloghari. BPC received a survey license in 2066 and carried out feasibility and EIA study in 2070. EIA was approved for 140 MW by the MoEF. The Connection Agreement was signed with NEA in 2074, and the

Launch of Construction of 135 MW MMHEP.

135 MW Manang Marsyangdi HEP- Financial Closure.

Generation License was issued at 140 MW as RoR type in 2075. However, after the acquisition of MMHEP and UM-2HEP together with Chinese partners, this project has been re-optimized by changing project boundaries to fit into MCPs. The project has now been re-optimized at 139.2 MW as a PROR to meet the requirement of NEA's guideline for concluding the PPA. Accordingly, the Connection Agreement has been amended and PPA has been concluded. The investment approval has been granted by IBN and industry registration was completed through DOI on 2078/06/18. The SPV formation for project implementation, involving BPC, JVC, and three Chinese investors, has been finalized, and the Owner's Engineer has been appointed jointly with MMHEP. The selection of contractors and financial closure processes will proceed in parallel with the ongoing PDA negotiations with MoEWRI.

The 220 kV Marsyangdi Corridor Transmission Line will evacuate power of LMMHEP interconnected at Manang Switching Station. The project will tap the silt-free tailrace water of MMHEP and add discharge available from intermediate catchment by constructing a small weir. Being a cascade project of MMHEP, this project will also be a PROR project getting only the PPA tariff as RoR project.

Upper Marsyangdi-2 Hydroelectric Project: An SPV Himtal Hydropower Company Pvt. Ltd. (HHCPL) is developing this project under MCPs. BPC's joint venture with three Chinese partners has acquired this 327 MW project to develop together with MMHEP and LMMHEP as PRoR type under cascade model. The project was previously owned by Indian investors and was planned as an "Export Oriented" project with a capacity of 600 MW. PDA negotiations with the IBN could not be expedited due to the new PPP act, though the PDA fee was already submitted for 600 MW. Likewise, a sister company Marshyangdi Transmission Company Private Limited (MTCPL), another project company, had also obtained a Survey License for the transmission line extending from UM2HEP to the Indo-Nepal border. However, considering internal consumption of power, the project has now been re-optimized at 327 MW to utilize the power in Nepali market, with plans to conclude PPA with NEA. The Cascade Projects will evacuate power through 220 kV Marsyangdi Corridor Transmission Line, interconnecting at the Khudi hub, which is under construction by NEA. After the Survey License was granted by IBN, the Detailed Project Report has been prepared and approved. While PDA negotiation has yet to start, progress has been made toward the PPA with NEA. The energy table has been finalized, GIS completed, and the Connection Agreement signed. The draft PPA is expected to be initialized soon.

New Initiatives: As part of its growth strategy, BPC regularly identifies and evaluates new hydropower projects and related business opportunities for future development. Expanding into solar energy, BPC has obtained Survey License and conducted Feasibility Study

Chinese Delegates & BPC with Hon Minister-MoEWRI for MCPs

for a solar power project at the Jhimruk Power Plant's headworks area, where the required land is already available. The Feasibility and IEE studies for the 7 MW project have been completed, with the IEE approved by the GON. In response to NEA's bid for 800 MW solar projects based on competitive tariff offers, BPC upgraded the project capacity to 10 MW and submitted a proposal to interconnect the project to the Lamahi 132 kV grid substation. Despite intense competition, BPC was not successful in securing the bid and is now preparing for future bidding opportunities.

To address cash flow challenges, particularly with no income from the Khimti plant, BPC is actively exploring the acquisition of under-construction projects and operational plants. Additionally, recognizing the global shift towards clean energy and carbon emission reduction, BPC is exploring opportunities in Green Hydrogen. BPC, being the leading private Company in the energy sector, is in the process of initiating pilot project in one of its project sites to build expertise in this emerging area and align with sustainable energy development goals.

INTERNATIONAL COLLABORATION ON PROJECT DEVELOPMENT

The Company has established a partnership with international agencies such as IFC, World Bank, NORAD, Infra-Co Asia (Singapore), Statkraft (Norway) and SCPHI (Canada) at a different area of the business relationship in the development of hydropower projects in Nepal.

BPC is working on project development through different SPVs involving foreign partners, financial institutions, consultants, contractors, manufacturers, and suppliers. Most of them are Chinese parties as their preferred business strategy is in under developing countries like Nepal. Some of the collaborations are project-based. The Joint Venture between BPC and three Chinese Companies named Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) have set up a Joint Venture Company (JVC) to collaborate in the development of hydropower projects. The JVC is developing MMHEP, LMMHEP and UM2HEP named MCPs in short. After the collaboration, BPC has moved up from small and medium hydropower projects to large size hydropower projects with international collaborations. This is a paradigm shift in terms of scale and collaboration with international investors. Discussions are also ongoing with other foreign parties for collaboration in a future project like Mugu Karnali HEP and other new projects including storage projects.

CORPORATE OVERVIEW

Corporate Management oversees the management of human resources, administrative facilities, information, and communication technology (ICT) support, procurement of goods, services, and works, service quality, environmental protection, occupational health and safety in compliance with ISO standards, security, and CSR initiatives across the Company.

Human Capital

The competency of the Company's workforce is a key factor in its growth. The management places a high value on the development of employees' skills and knowledge. Employees' suggestions and grievances are promptly addressed to ensure the smooth operation of Company's business. This also contributes to the maintenance and improvement of relation between the employees and management.

The total number of employees was 173 at the end of FY 2080/81 within the approved organization structure (excluding Part-time and Job-based contract employees).

General Administration

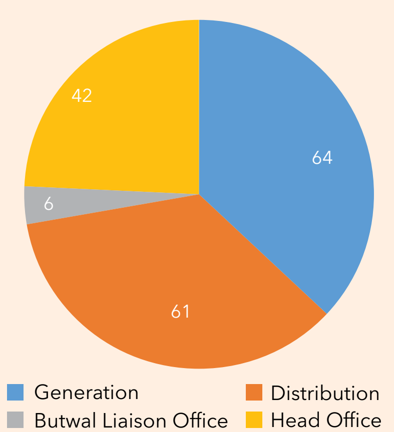
Procurement Business Unit procures goods, works, and services for the Company. BPC's procurement strategy is a long-term plan to efficiently obtain the required supplies at the lowest cost from a list of reliable vendors who meet the purchasing terms and deliver high-quality items on time. Cost reduction, global sourcing, risk management, supplier management & optimization, and overall quality control are the procurement unit's strategic goals. The procurement manual specifies procurement processes such as procurement of goods, services, and works, product transportation, performance feedback, and supplier management. Procurement processes are guided by the principle of best value for money, fairness, integrity, and transparency.

Procurement unit purchases spare parts for Jhimruk and Andhikhola Plants from manufacturers in India, China, Germany, and other countries. Power transformers, current transformers, voltage transformers, relays, switchgear panels, circuit breakers, ACSR conductors, single phase static energy meters, three phase energy meters, CT operated meters, poles and accessories, and so on are the spare parts that are procured for generation, transmission, and distribution facilities.

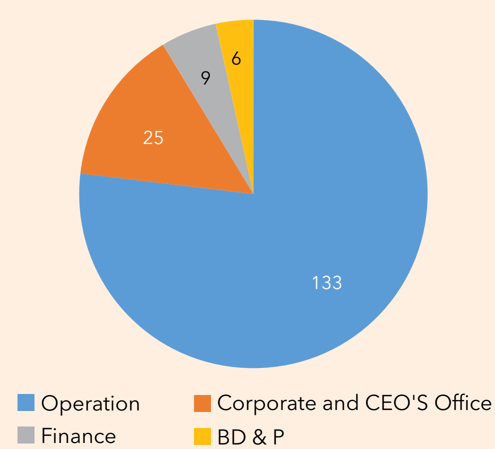
Information and Communication Technology (ICT) supports external and internal communications, official website updates, data backup, and email requests. An environmentally friendly, reliable, and secure data center with high availability has been established with a reliable network structure in the head office. Optical fiber intranet connectivity between the head office and site offices is in place to access the centralized software applications (Revenue Accounting System-RAS, Asset Management System-AMS, and Inventory Management System-IMS), file sharing, and communication through Virtual Private Network (VPN) technology.

The data center is established to house computer systems and associated components, such as servers, network devices, telecommunications devices, security devices, and storage systems in a controlled environment e.g. air conditioning, fire suppression systems, smoke detectors, CCTV cameras, data center infrastructure management (DCIM) to alert through the alarm, SMS, and email. Implement virtualization to minimize the number of physical servers, power consumption, cost, and heating buildup and increase reliability, security, faster redeployment, easier backups, and better disaster recovery. Execute the Vulnerable Assessment and

Activity-wise Number of Employees of 2080/81



Function-wise Number of Employee of 2080/81



Chinese Delegates & BPC with Hon Minister-MoEWRI for MCPs

Penetrating Testing (VAPT) periodically to monitor and analyze the ICT system.

Facility Management provides service support of repair & maintenance, advertisement & publicity, media handling, newspaper management, events management, material transportation, risk management, health, safety & security arrangement, vehicle management, waste management, mail handling, and conducting CSR activities. It ensures and monitors the implementation of quality, environment, and OH&S policies in all the business units of the Company.

Training on emergency preparedness and response plans, traffic awareness, firefighting, occupational health, and safety management were conducted in JHC, AHC, and Butwal site offices during the FY 2080/81. First aid and safety management training for the first aiders, and vehicle safety operation and maintenance training for the drivers were given in the head office. As part of the scheduled periodic health check-ups conducted every three years, this year's check-ups will be carried out at the head office and the site offices. A team of lab technicians, nurses, and doctors will be deployed to all locations to perform essential tests, conduct thorough examinations, provide consultations, and offer personalized recommendations. This effort aims to help employees maintain physical fitness, eye health, and overall well-being, tailored to their specific job requirements.

MANAGEMENT REVIEW AND RESPONSIBILITIES

Management Review Meetings (MRM) are held a minimum of once a year as a scheduled program as cited in the IMS process manual and as required to look into ways to improve the Company's business and IMS processes. MRM is chaired by the CEO with the participation of all VPs, Business Unit (BU) heads, site in-charges and ISO core team members. VP-Corporate has been designated as the Management Representative (MR) of the Company. MR ensures that results of QEHMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the Company. MRM-24 was held on 9-10 September 2024 with the participation of all the functional heads, BU heads, Site-In Charges, and the ISO core team.

IMS PERIODIC AUDITS AND RECERTIFICATION

As per the Management System Certification Agreement between DNV BUSINESS ASSURANCE INDIA PVT. LTD (Certification Body) and BPC, two periodic audits and one recertification audit had to be performed during a 3-year audit cycle (May 2023– May 2026). In this process, 1st IMS periodic audit was conducted on 22-25 April 2024 at Jhimruk Hydroelectric Center (JHC), Butwal Liaison Office, and BPC Corporate Office, Kathmandu. The 2nd IMS periodic audit and IMS recertification audit will be conducted in two years. BPC has been re-certified with the three ISO standards. The validation period of QMS 9001:2015, EMS 14001:2015, and OH&S 45001:2018 is till 23 May 2026.

Enterprise Risk Management

Risk management is a continual process, vital for business operations and growth. It encompasses identifying, assessing, planning, and monitoring risks, addressing those tied to the Company's past, present, and future actions.

The Board, Risk Management Committee (RMC), and top management collectively oversee strategic risks related to expansion, mergers, new technologies, and business activities. Tactical risks, affecting business unit performance and profitability, are managed at both unit and top management levels. Operational risks, arising from daily activities, are addressed at the operational level. Risks across the value chain, including operations, finance, projects, and compliance, are prioritized. The RMC guides risk handling aligned with the Company's current risk exposures, future risk strategy, and investment plans. Risk management, integrated into governance, involves regular reviews of the risk profile, with updates reported to the RMC and Board.

RISK MITIGATION AND RISK REPORTING

Potential risks are systematically identified, assessed, and categorized as major, high, moderate, or low in the Risk Register, following the guidelines of Enterprise Risk Management (ERM) Manual. Quarterly updates on the Risk Register, Response Action Plan, and Action Status Reports are reviewed in management meetings, with significant risks reported to the RMC. The RMC reviews critical risks and strategies before presenting findings to the Board, while

stakeholders are informed of key risks and mitigation efforts via the annual report. Early-stage risk management has been crucial for success of the projects. BPC ensures insurance coverage for significant damages, operational risks, and liabilities, with assets insured annually. Operational risks are managed through detailed procedures, a comprehensive system for reporting incidents, and continuous analysis to adopt effective mitigation measures. Cybersecurity threats like server attacks, data loss, fire incidents, and unauthorized access are managed through firewalls, VPN access, routine data backups (onsite, offsite, and cloud in different seismic zones), and antivirus protection. The datacentre features a fire suppression system and Data Centre Infrastructure Management (DCIM) to trigger alarms and send SMS/email alerts.

1. Generation Risk

Andhikhola powerhouse is 250 m below ground surface-level. The powerhouse is unmanned and is being operated from the control room. The long vertical distance and seepage in the vertical shaft occasionally causes the plant to shut down due to signal interference/loss. Effective management of spare parts is in place for prompt maintenance of the plant. Timely preventive maintenance of the plant and grid line has minimized the downtime, thus resulting in an increase in generation. The variation of water in the Andhikhola River, a key factor affecting power generation, remains beyond control of the plant.

During the monsoon, the water of Jhimruk river carries a high silt content, rich in quartz particles, causing severe erosion of turbine parts. This has forced the plant to operate at a reduced capacity during flood, reducing power generation. The erosion of turbine parts has further reduced turbine efficiency and increased the maintenance duration. A complete set of erosive-prone turbine parts and accessories have been kept as spares for overhauling of turbine in less time. Further, in-house manpower has been trained to accomplish this job. Effective spare parts management and timely preventive maintenance of the plant and grid line have minimized downtime, increasing generation. The variation of water flow in the Andhikhola and Jhimruk rivers also remain key factors affecting power generation.

2. Distribution Risk

BPC has been expanding its distribution area through rural electrification every year since 2047. Compared to last year, this year's consumer base has increased by 1.74%, and thus energy purchase has also increased. However, the foremost challenge in the operation and expansion of the distribution business is its sustainability. BPC's distribution business has been incurring huge

losses for many years, with the loss increasing annually. Despite the ongoing loss, public demand for distribution expansion continues. To mitigate the risk of escalating revenue loss, timely revision of the distribution tariff and restricting expansion and load growth are essential.

3. Business and Project Development Risk

The risks associated with project development are categorized as technical, socio-political, financial, and legal at different stages of project development like planning, design, construction, operation, and maintenance. Poor geology, landslides, floods, earthquakes, changes in design, lack of expertise, hydrology, etc. are examples of technical risks. Likewise socio-political risks are demands of financial support, land acquisition & compensation, work interruptions, labor strike, intimidation, poor performance of contractors/ consultants, road blockades, pandemic etc. Financial risks are price hikes, time & cost overrun, fluctuations in bank interest rates & foreign currency exchange rates, penalties, energy deficit etc. Legal risks are delays in government approvals, licenses, PPA, Connection Agreement, import of materials/equipment from third countries, environmental issues, unnecessary burden on custom or duty clearances, contractor claims, settlements etc.

Some of the social risks have been minimized through CSR activities, stakeholder's engagement and maintaining public relations. Some risks which are associated with politics and socio-culture are beyond the control of the project companies. The technical and financial risks are managed internally whereas socio-political and legal risks are minimized through stakeholders' engagement and effective group dynamics. Some specific risks have been identified, and mitigation measures have been planned for the new projects, under-construction projects and business operations.

4. Financial Risk

The Company uses both debt and equity financing to meet its obligations. The finance department manages financial risks related to foreign currencies, interest rates, liquidity, refinancing, and new borrowing. BPC has term and operating loans, exposing it to interest rate risk, which is largely influenced by market forces. Liquidity risk arises from mismatches between the maturity of financial liabilities and cash flows from assets. To manage this, BPC has secured an overdraft facility for short-term financing and improved working capital. Investment risk is linked to BPC's equity investments in subsidiaries and associates, based on their technical and financial feasibility.

5. Other Risks

BPC's operations are influenced by industry-wide factors, including taxes, fees, and regulations governing generation, distribution, and transmission, as well as general terms and conditions. These factors can impact BPC's production, costs, and revenue.

Senior Executives

FROM LEFT TO RIGHT

Mr. Sanjaya Krishna Shrestha — Sr. *VP Investment and Projects*
Mr. Ganesh P. Khanal — *Chief Manager- BD&P*
Mr. Radheshyam Shrestha — *VP- Finance*
Mr. Uttar Kumar Shrestha — *CEO*
Mr. Pratik Man Singh Pradhan — *VP- BD&P*
Mr. Prakash Kumar Shrestha — *VP- Operations*
Mr. Tika Ram Bhatta — *VP- Corporate*

Pondage Area of 9.4 MW Andhikhola Hydropower Plant

Shareholder's Information

The shareholding pattern of BPC as on end of Asadh, 2081 is as below:

S.N.	Shareholders	Number of Shares	Holding %
1	Shangri-La Energy Ltd.	19,191,816	56.30
2	Government of Nepal	2,530,249	7.42
3	IKN Nepal A.S., Norway	538,689	1.58
4	United Mission to Nepal	466,161	1.37
5	Nepal Electricity Authority	293,974	0.86
6	General Public Shareholders	11,069,757	32.47
	Total	**34,090,646**	**100.00**

SHARE TRADING INFORMATION

In the FY 2080/81, the market response to BPC stock was normal. The stock market was heavily influenced by the market movement of banks and other listed companies in the securities market. Quarterly key figures related to BPC shares in stock exchange for the year are given below:

Quarter	Traded Share (In thousands)	Traded Amount (In millions)	Number of Trades (Total transactions)	High	Low	Closing	Trading Day
First	546.89	172.08	5394	343	293	296.3	61
Second	645.16	197.59	5503	321.3	292.1	310	49
Third	909.86	290.01	7934	360	295.1	298	58
Fourth	623.59	184.31	5562	324	284.4	310	61
Total	**2725.50**	**843.99**	**24393**	**343**	**284.4**	**310**	**229**

All shares are being traded in Nepal Stock Exchange Ltd. (NEPSE) in active market. NABIL Investment Banking Limited has been appointed as Share Registrar of the company effective from Shrawan 1, 2077. The details of shareholders as of Ashad end, 2081 is as follows:

Share Status	Number of Shareholders	Number of Shares
Physical Shareholders	157	3,046,471
Demat Shareholders	68,244	31.044,175
Total	**68,401**	**34,090,646**

Corporate Social Responsibility

BPC emphasizes Corporate Social Responsibility (CSR) by focusing on environmental sustainability, community engagement, and ethical business practices. Its initiatives are tailored to address socio-economic and environmental needs in its operational areas through relevant targeted programs.

BPC integrates economic, environmental, and social considerations into business decisions and collaborates with stakeholders to promote sustainable development and efficient use of natural resources.

River Training Work

During FY 2080/81, BPC conducted mitigation activities at the Jhimruk and Andhikhola Hydroelectric Centres to improve community livelihoods, strengthen local relations, and safeguard public interests. Efforts included income generation support, improved agricultural and energy practices, skill development training, and upgradation of irrigation and road infrastructure. Environmental initiatives such as plantation programs and river training works were carried out to protect power plant structures and farmland. Plastic sheets were provided to optimize downstream water use, and financial assistance was extended to local clubs, schools, AKWUA and social organizations to support community-focused activities. These actions reflect BPC's commitment to fostering sustainable growth and community development.

CSR Jhimruk

Certification

BPC is certified by DNV GL (Det Norske Veritas), India with QMS 9001:2015 (Quality Management System), EMS 14001:2015 (Environmental Management System) and OH&S 45001:2018 (Occupational Health and Safety Management System).

BPC has been recognized as the best managed Company in the hydropower sector and has received the ICAN national best presented annual report award 14 times during last 17 years. BPC is committed to operational excellence, good governance, corporate citizenship, and creating value for stakeholders.

Health, Safety and Environment

BPC is committed to fostering the prosperity of the Company by prioritizing health, safety, and environmental consciousness in its operations, both in the workplace and the surrounding communities.

BPC prioritizes Health, Safety, and Environment (HSE) to foster a safe and rewarding work environment. The Company believes that a robust HSE performance, coupled with continuous improvement, is essential to its growth and responsible management. BPC actively monitors environmental factors, work-related hazards, and incidents of gender-based violence and harassment, focusing on reducing accidents, occupational illnesses, and promoting safer working conditions.

The Company has adopted an Integrated Quality, Environmental, and Occupational Health & Safety Policy, complying with statutory requirements under the Labor Act, 2074 and Labor Regulation, 2075. It follows guidelines from OH&S 45001:2018 to enhance health and safety standards and uses an Environmental Aspect Register to minimize environmental impacts. A comprehensive Safety & Emergency Preparedness Plan has been implemented to address potential emergencies, ensuring a high level of preparedness across the organization. BPC integrates HSE principles into all business operations and provides employees with Medical and Group Personal Accident (GPA) insurance. Regular health check-ups are conducted every three years. The Company operates ROR hydropower projects, generating green energy with minimal environmental impact. Mitigation measures for water diversion are in place, and river training work annually protects local farmland from flooding. BPC also minimizes the environmental impact of tree cutting for distribution lines by providing seedlings to local communities as needed. All waste is managed in compliance with ISO standards, with a focus on pollution prevention through efficient resource use, recycling, and sustainable practices.

Sustainability

BPC prioritizes sustainability, integrating economic, environmental, and social considerations into its operations for a competitive edge. The Company actively engages in social, environmental, and economic development initiatives within and around its project areas, fostering collaboration with stakeholders to advance these efforts sustainably for long-term viability of its businesses.

Sustainability is a comprehensive concept encompassing technical, environmental, economic, and social dimensions. It requires responsible resource management and elements like peace, security, and social justice. Challenges such as conflict and corruption divert resources, hinder future planning and threaten both the environment and human well-being.

BPC is certified with three ISO standards: 9001:2015 Quality, 14001:2015 Environment and 45001:2018 Occupational Health and Safety (OH&S). This sets the tone for BPC's commitments to the community, the environment, and its employees. BPC has been awarded with numerous other credentials that reflect its commitments to quality, environment, and occupational health & safety- International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been recognized by the Institute of Chartered Accountants of Nepal (ICAN) 14 time during last 17 years with the National Best Presented Accounts (BPA) Award in the category of General Sector for Excellence.

Social Responsibility Initiatives

BPC prioritizes the well-being of local communities in its project areas, focusing on social performance and living conditions. Before project initiation, BPC conducts a Social Impact Assessment (SIA) to establish baseline socioeconomic conditions, identify potential impacts, and recommend social development initiatives to address them. JHC and AHC contribute to Sustainable Urban Planning (SUP), utilizing resources to promote social, environmental, and economic development in the project areas.

BPC has implemented training and capacity-building initiatives to empower local communities, helping them develop new economic activities in its project areas. These efforts are expected to improve residents' quality of life and economic standing, supporting the long-term sustainability of the projects. BPC's commitment to minimizing environmental and social impacts, along with its production of environmentally friendly hydro-energy, earned it the prestigious 'International Blue Planet Award 2005' from the International Hydropower Association in the UK.

Environmental Relative Initiatives

BPC is committed to environmental sustainability in its project areas, prioritizing conservation and resource protection in all its operations. In addition to providing electricity, BPC emphasizes green energy and sustainable development. Its corporate office is designed based on "green building" principles, focusing on environmental concerns, resource conservation, energy efficiency, and the use of renewable energy while ensuring a healthy indoor environment.

As part of its environmental initiatives, BPC regularly plants and maintains greenery on its premises and has implemented waste management guidelines to protect the environment. The Company also conducts routine maintenance of power plants, diesel generators, and vehicles to minimize pollution. When transmission line construction requires tree cutting, BPC supports local communities in replanting efforts. BPC has adopted an Environmental Management Plan (EMP) in its project areas to manage and minimize environmental impacts. The company aligns its environmental contributions with regulatory requirements, including IEE and EIA studies for its projects under development.

Social Initiatives

BPC is committed to its social responsibilities in hydropower development, ensuring that all projects undergo EIA and IEE studies. The Company prioritizes CSR and actively addresses societal, environmental, and stakeholder concerns in its operations. BPC strives to improve the quality of life in local communities and comply with all relevant regulations in hydropower development. The Company also promotes local employment, with approximately 70% of the total employees at AHC and JHC sourced from the project areas.

Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and Occupational Health & Safety Management System (QEHMS) are established, implemented, and maintained in accordance with the requirements of QMS 9001:2015, EMS 14001:2015 and OH&S 45001:2018 standards. These three standards are combined as Integrated Management System (IMS). Based on the IMS, the organization's reporting system has been developed. It controls the quality of the reporting system and assures timely availability of internal and external resources for uninterrupted supply of power to the local consumer and the national grid. The continual improvement of IMS is being ascertained and ensured by internal and external audits through Management Review Meetings (MRM) with the review of the improvement requirements in the Company processes on a continual basis.

MRM-24 was held on September 09-10, 2024, in the presence of the functional heads, SBU heads, and ISO core team. The meeting was focused on follow-up actions, reviewing quality, HSE policies, IMS audit, customers' relations, status of safety and security, risk management, business performance, and suggested areas of improvement.

Human Resource Accounting Information

Human Resource Accounting (HRA) plays a key role in aligning human resource activities with the organization's vision and goals. It involves gathering and analyzing data to support strategic planning and effective management of the workforce.

HRA goes beyond resource optimization by contributing to the development of personnel policies that enhance job satisfaction, support career growth, and cultivate a positive work environment. It ensures the equitable welfare of employees while fostering high morale and motivation across the workforce. Furthermore, HRA facilitates the identification of training needs and development opportunities, empowering employees to achieve their full potential. By prioritizing these aspects, HRA strengthens the organization's commitment to its people, positioning them as essential drivers of long-term success.

HUMAN CAPITAL

At the end of the FY 2080/81, the number of total employees (excluding those on part-time and job-based contracts) sums up to 173 within the approved organization structure, which are as segregated below:

Year	Manager Level Employees (Nos.)	Other Employees (Nos.)
2080/81	16	157

* 17 Short-term and part-time employees are not included in the table above.

The human capital for the last 5 years is as below:

Year	Number of Employees			Employee Turnover	Number of Trainings Provided
	Regular	Contract	Total		
2080/81	141	32	173	4	15
2079/80	141	43	184	3	34
2078/79	154	37	191	6	19
2077/78	160	42	202	9	5
2076/77	163	30	193	4	9

A. CADRE-WISE HUMAN RESOURCES

Cadre	Cadre-wise	Gender-wise (Female)	Gender-wise (Male)	Technical	Non-Technical
Management	16	0	16	10	6
Officer	26	3	23	6	20
Assistant	131	12	119	75	56
Total	**173**	**15**	**158**	**91**	**82**

B. CLASSIFICATION OF EMPLOYEE-AS PER LABOR ACT, 2074

Year	Regular	Time-based	Special Contract	Job-based	Part-time	Total
2080/81	141	26	6		13	190

Distribution of 25 years long service award.

Board Member and CEO Attending Hydro Conference in India

C. SKILL DEVELOPMENT

The HR department continually enhances employee skills and competencies through various training and workshop opportunities. This ongoing development has established a strong foundation for the company's growth. During FY 2080/081, employees actively participated in fifteen events, including trainings, seminars, and workshops, focusing on capacity building, professional growth, and motivation.

A total of 43 employees took part in diverse programs such as: Corporate Governance and Audit Universe; Online Certification Course on Information System Audit; ICH Sustainable Finance Instruments and ESG in Hydropower and Renewable Energy; ICT Infrastructure and Security in Nepal; ISO 9001:2015 Internal Auditor Training; Record Keeping and Documentation; Himalayan Future Forum 2024; FortiGate Basic Training; Third National Conference of Accounting Professionals; Crisis to Raise Unlocking Economic Potential in Disguise; Microsoft Power Business Excellence; Presentation on Innovative Solutions in Civil and Hydraulic Structures; Elevate Leadership Excellence: Mastering Communication for Impact; Best Presented Annual Report; and Green Taxonomy.

Value Added Statement

The VA statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower and other resources and allocated to stakeholders. It indicates how the benefits of the efforts of an enterprise are shared between employees, providers of finance, the state and towards replacement and expansion.

Analysis:

Payment to employees: 28.16% of the total value-added amount has been used to pay employees during FY 2080/81, which stands at NPR 194.95 million. This amount is 1.98% less than the previous year's payment to employees NPR 198.89 million.

Payment to government: 26.04% (NPR 180.31 million) of the total value-added amount has been paid to government during FY 2080/81. This amount is 5.57% less than the previous year's payment to the government NPR

Particulars	31st Asadh, 2081		32nd Asadh, 2080	
	NPR	%	NPR	%
Revenue from sales of electricity and services provided	**693,640,791**	**100.19%**	**724,416,725**	**56.50%**
Less: Cost of bought in materials and services				
Operating cost	156,932,071	22.67%	145,221,233	11.33%
Value added by revenue from sales and services of electricity	**536,708,720**	**77.52%**	**579,195,492**	**45.17%**
Add: Other income including dividend income				
Dividend Income	27,889,400	4.03%	44,165,000	3.44%
Finance Income	46,816,597	6.76%	103,466,812	8.07%
Other Income	80,908,207	11.69%	555,310,751	43.31%
Available for application	**692,322,924**	**100.00%**	**1,282,138,055**	**100.00%**

Application of Value Added	NPR	%	NPR	%
To pay Employees				
Wages, salaries, and other benefits	194,948,016	28.16%	198,886,139	15.51%
To pay Government				
Tax, VAT and Royalty	180,306,550	26.04%	190,936,127	14.89%
To pay Financers				
Interest on borrowings	13,025,465	1.88%	11,466,997	0.89%
Dividends	157,143,277	22.70%	397,895,200	31.03%
To provide for the maintenance and expansion of the Company	**146,899,616**	**21.22%**	**482,953,592**	**37.67%**
Depreciation	103,754,106	14.99%	102,926,025	8.03%
Deferred tax credit accounts	1,895,941	0.27%	18,650,795	1.45%
Retained profit	31,249,569	4.51%	(100,720,177)	-7.86%
Provision for impairment loss	10,000,000	1.44%	462,096,949	36.04%
Total application	**692,322,924**	**100.00%**	**1,282,138,055**	**100.00%**

190.94 million. The decrease is mainly due to a decrease in revenue from the sale of electricity.

Payment to debt financers: 1.88% (NPR 13.03 million) of the total value-added amount has been paid to debt financers during FY 2080/81. This amount is 13.59% more than the previous year's payment to debt financers NPR 11.47 million. The increase is due to the use of short-term loan.

Payment to providers of capital: 22.70% (NPR 157.14 million) of the total value-added amount has been paid to shareholders as dividend during FY 2080/81. This amount is 60.51% less than the previous year's payment to shareholders NPR 397.90 million. The decrease is mainly due to a decrease in distribution on cash dividend (from 7.5% to 5%) and stock dividend (from 5% to 0%).

Retained in the Company: NPR 103.75 million (14.99%) and NPR 1.90 million (0.27%) of the total value-added amount have been provided for depreciation and deferred tax charges respectively during FY 2080/81. During the year, the provision for impairment loss NPR 10 million has been made, which constitutes 1.44% of the total value added. Surplus NPR 31.25 million (4.51%) has been adjusted to retained earnings of the company during FY 2080/81. Accordingly, net amount adjustment to retained in company comprises NPR 146.90 million (21.22%), which was 69.58% less than the previous year's retained amount NPR 482.95 million. The decrease is mainly due to a decrease in the provision made for impairment loss on investment.

HIGHLIGHTS:

- No. of Employees = **173**
- Net Earnings per Employee is **NPR 1.12million**
- Gross Earnings per Employee is **NPR 1.46 million**
- Sales per Employee is **NPR 4.01 million**
- Value Added per Employee is **NPR 4.00 million**

BPC Subsidiaries

Nyadi Hydropower Limited

Nyadi HP: Power House and Substation

The 30 MW Nyadi Hydropower Plant (NHP) is under operation by Nyadi Hydropower Ltd. (NHL), a project company with a majority shareholding of BPC. The plant started its commercial operation from May 10, 2022.

The total generation during FY 2080/81 was 103.543 GWh, which is only 61.43% of the Annual Contract Energy (168.552 GWh). The generation from the plant has only been in accordance with the contingency plan as approved by the NEA. Hence, the full utilization of the plant has not been achieved due to delay in completion of 220 kV Marsyangdi Corridor Transmission Line and associated substations.

PROJECT FACT SHEET

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

Project location: Lamjung District, Marsyangdi Rural Municipality-6, near Thulobeshi and Naiche villages.

Installed capacity: 30 MW

Annual energy generation: 168.5 GWh

Design discharge: 11.08 Cumec at Q40

Gross head: 334.40 m

Headrace tunnel: 3,840 m

Power evacuation: Interconnection will be made to the Marsyangdi Corridor transmission line under construction by NEA at Khudi Hub. Currently power evacuation is through 50 MW Upper Marsyangdi-A transmission line under contingency plan.

Access to site: The site is about 6-hour drive from Kathmandu.

Powerhouse site: At Thulobeshi village, 4 km away from Thakanbeshi at Besisahar-Chame road.

Headworks site: 5 km away from powerhouse.

Kabeli Energy Limited

37.6 MW Kabeli-A Hydroelectric Project (KAHEP), undertaken by Kabeli Energy Ltd. (KEL) is located in the Panchthar and Taplejung districts of Nepal. Construction of the project is progressing smoothly and is expected to be commissioned within a year.

The shareholding of KEL has changed, with BPC developing the project in partnership with Arun Kabeli Private Ltd. (AKPL). BPC holds 60% stake in the project, while AKPL owns the remaining 40%. Project construction is ongoing after the amendment of the PPA with NEA and the financial closure with a consortium of Nepalese banks, led by Kumari Bank Ltd. The total project cost, including the interest during construction (IDC) has been fixed at NPR 7,520 million.

PROJECT FACT SHEET

Project type: Cascade Run-of-river (RoR)

Project location:

Headworks site-Cascade interconnection with Kabeli B-1 and Phawa Khola Plants, Panchthar District

Powerhouse site-Pinaseghat, Panchthar District

Installed capacity: 37.6 MW

Annual energy generation: 218.35 GWh

Design discharge: 37.23 m3/sec at Q40

Gross head: 120.3 m

Head race tunnel: 4,326 m

Power evacuation: Power evacuation through 132 kV Kabeli A switchyard

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

Headwork site: 8 km from Mechi highway

Powerhouse site: 16 km from Mechi highway

Kabeli A Headrace Tunnel Excavation.

Nepal Hydro & Electric Limited

Nepal Hydro and Electric Ltd. (NHE), established in 2042 B.S., is a subsidiary of BPC, with the shareholding structure as such; BPC 51.3%, IKN Industrial AS, Norway (IKNI) 46.9%, Butwal Technical Institute 1.1%, and Himal Hydro & General Construction Ltd. 0.7%. With a history of excellence, stretching back more than 39 years, and as a pioneer company in this sector, NHE has always been committed to deliver quality.

NHE's operation encompass design, manufacturing, installation, testing, and commissioning of HM and EM equipment (including penstock pipe up to 100 mm thick, radial gate up to 16mx20m, roller gates, slide gates, stoplogs, trashrack & trashrack cleaning machine, hydro turbine parts etc), EPC high voltage substations, galvanized pole, transmission towers and motorable steel bridges. In addition, NHE is also involved in repairing/ refurbishment and overhauling of power plant equipment including power transformers 132kV, 33kV, 11kV high voltage generators and motors. Further, NHE has been executing EPC substation & transmission line project contracts (up to 220kV system).

NHE strives to be an esteemed company engaging with and earning trust of its clients and stakeholders.

NHE: Mechanical Repair Works.

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Ltd. (HCE), a consulting wing of BPC with 100% ownership is committed to providing innovative and competitive engineering consultancy services in Feasibility & Environmental Studies, Detailed Design, Construction Supervision & Project Management of hydropower projects, tunnels and other infrastructural development projects.

With a team of highly qualified professionals from both Nepal and abroad, HCE is accredited with ISO 9001:2015 Quality Management certification by the UK Accreditation Service (UKAS) and is an active member of the International Hydropower Association (IHA). In addition to its core services, HCE offers expertise in pre- and post-construction maintenance, project upgrades, transmission and distribution, energy, irrigation, water supply, roads, bridges, geology, and tender documentation.

With five decades of experience, HCE is committed to delivering high-quality engineering services with a focus on customer satisfaction; and adhering to safety regulations and laws in Nepal and internationally. HCE has successfully completed Feasibility Studies, Design, and Construction Supervision for hydropower projects ranging from 5 MW to 495 MW in both Pakistan and Kenya. At present, its international projects include managing Orio's nine mini-hydropower projects (6.7 MW) in Uganda, conducting design reviews and preparing tender documents for the 90 MW Kaugel Hydro Project in Papua New Guinea, and Early Warning System Design, and Supervision of Installation of Equipment and Commissioning at Kariba Dam of Kariba Hydro-Electric Schemes (2,130 MW) in Zambia and Zimbabwe.

HCE recently completed construction supervision for the largest IPP projects of the country, the 86 MW Solu Khola (Dudhkoshi) HPP, 30 MW Nyadi Khola HPP and the 42 MW Mistri Khola HPP. At present, HCE is mainly involved in the Feasibility and EIA studies of the 317.4 MW Bharbhung Storage Project and Tatu ROR Project. It is also engaged in Feasibility studies and Project Management of several other hydropower projects, including the 63.5 MW Manahari Multipurpose Project, 62 MW Humla Karnali HPP, 141 MW Mugu Karnali Phase II HPP, 80.5 MW Dadagau Khalanga Bheri HPP, 350 MW Lower Badigad Storage HPP, and the 42.46 MW Tila HPP for DoED. Additionally, HCE has taken on Detailed Engineering Design and Design Support during construction of the 99.89 MW Tamakoshi V HPP under an EPC model, and the design and BoQ preparation for the Sitalpati-Dhungesagu 220kV Transmission Line Project for RPGCL. HCE is also handling the Detailed Design, Tender Documentation, and Construction Supervision of the Lekhnath-Damauli 220kV Transmission Line Project for NEA.

Engineering & Construction Supervision of 25 MW Seti Nadi HEP.

Further, HCE has been providing technical expertise in various water and waste management projects, including the design and supervision of KUKL's Kathmandu Valley Waste Management Project and the preparation of a detailed project report for the Kanke Deurali Water Impounding Reservoir in Gulmi district. It is also conducting the Detailed Feasibility study on water security enhancement in Kathmandu valley for the Department of Water Supply and Sewerage Management (DWSSM) under the Ministry of Water Supply. Simultaneously, HCE is involved in the Feasibility studies, Tender Documentation, and Detailed Engineering Design for multiple hydropower projects such as the 12 MW Mistri-2 HEP, 235 MW Humla Karnali HEP 1, 335 MW Humla Karnali 2, 63 MW Chhujung Khola HPP, and 141.46 MW Mugu Karnali HPP Phase II. Additional projects include the Detailed Engineering Design of the 37 MW Rahughat Mangale HPP, 48 MW Upper Rahughat HPP, 52 MW Upper Lapche Khola HPP, 62 MW Bhotekoshi V HEP, 86 MW Landruk Modi HEP, 57.3 MW Myagdi HEP, and 12.5 MW Myagdi Khola-B HEP. HCE is responsible for the Tender Documentation and Design Support during the Construction of the Upper Rahughat HEP and Rahughat Mangale HEP. HCE is also engaged in Construction Supervision for 25 MW Seti Nadi HEP and 14 MW Ghar Khola HPP, among others.

Furthermore, among HCE's various projects, several stand out as integral to its business diversification strategy, including those focused on reservoirs, water security enhancement, lift irrigation, road tunnels, and transmission lines.

Khudi Hydropower Limited

Khudi Hydropower Ltd. (KHL) owns and operates the 4 MW Khudi Hydropower Plant, which began its commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Power generated from the plant is supplied to the national grid through 33 kV line.

The overall performance of the company has been satisfactory this year. During the year, the operation has focused on timely repair/maintenance, river training work, and flood monitoring, as well as cost minimization. The power plant has operated normally during this year. The company generated the revenue of NPR 81.25 million in the FY 2080/81 with 9.68% decrease from previous year. The company earned a net profit of NPR 27.94 million with an increase of 5.44% compared to the previous year.

PROJECT FACT SHEET

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

Project location:

Head work site-Lamjung district, Marsyangdi Rural Municipality, Ghanapokhara village located on the left bank of Khudi river

Powerhouse site-Lamjung district, Marsyangdi Rural Municipality, Simpani village

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 the 2,471 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 INPS at Udipur substation of NEA.

Access to site:

Powerhouse site within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the district headquarters of Lamjung District.

Headworks site-2.5 km away from the powerhouse.

4 MW Khudi Powerhouse

BPC Services Limited

BPC Services Ltd. (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 has previously provided Operation and Maintenance Management (OMM) services to IPP power plants and is looking for similar opportunities in the market. Moreover, BPCSL has been providing competent technical experts in hydropower projects as well as in social and environmental mitigation programs implemented by IPPs. The company aims to lease existing power plants with capacities below 5 MW for operation and maintenance, apprise the banks and financial institutions on the significance of effective operation and maintenance management of the power plants, and establish strategic relations with them.

The development of hydropower sector has necessitated the dire need of expertise for successful operation and maintenance of the power plants for project sustainability and yielding the desired return on investment. This creates a valuable market opportunity for the company to offer its services to hydropower plants. BPCSL, as an OMM service provider, has also been involved in preparing and implementing various social development and environmental mitigation activities in the vicinity of hydropower projects to assist clients with mitigation activities. It has also been actively coordinating, participating, and assisting in the implementation of various CSR activities for its clients.

Distribution Transformer Testing.

Five Year Financial Summary

FIVE YEAR SUMMARY OF STATEMENT OF FINANCIAL POSITION

(In Thousands NPR)

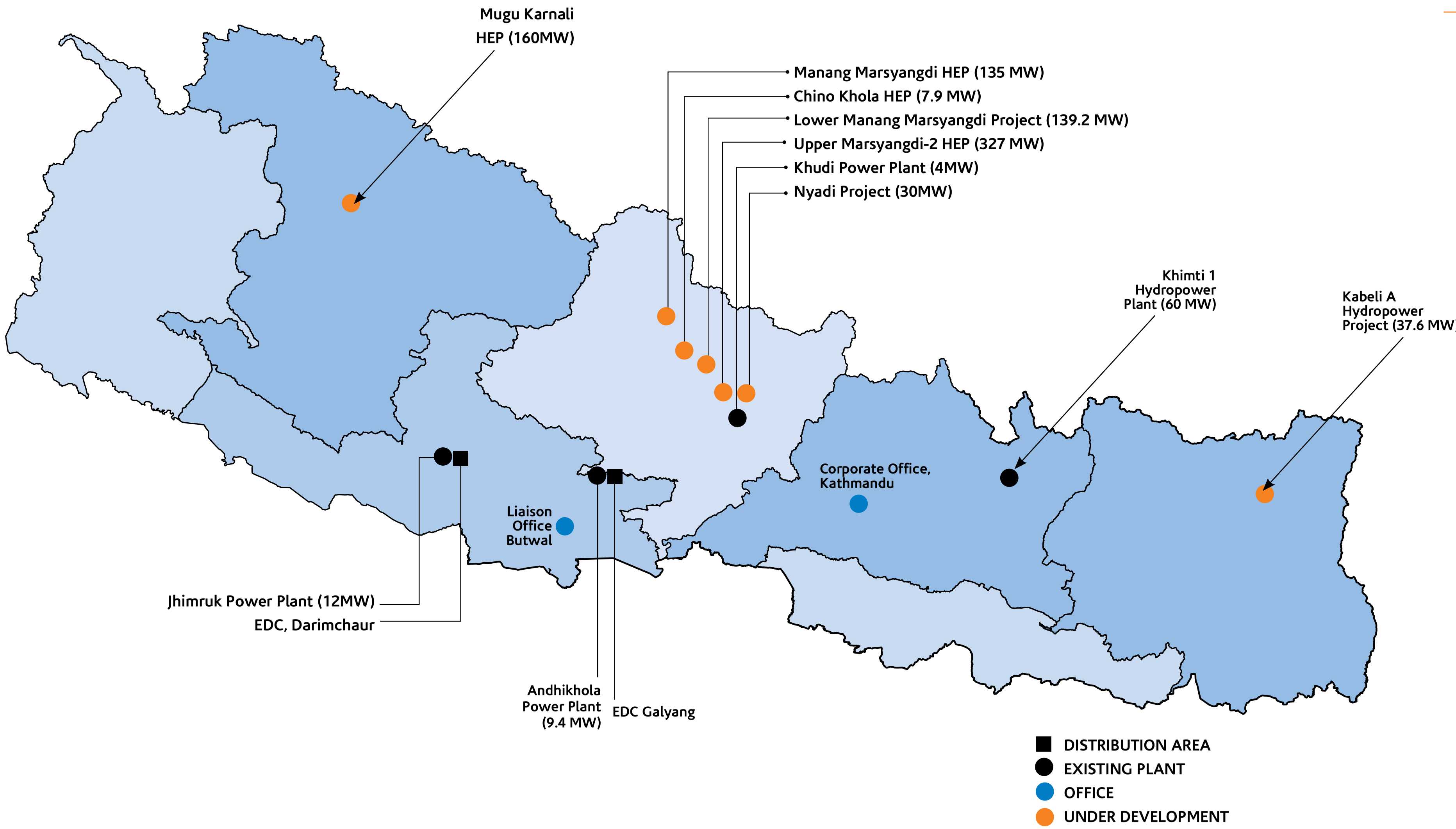
Particulars	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22	2079/80 2022/23	2080/81 2023/24
ASSETS					
Non-Current Assets	**6,525,094**	**5,764,916**	**6,002,110**	**6,745,644**	**7,062,907**
Property, Plant and Equipment	315,804	298,844	284,591	271,559	262,312
Project Work in Progress	266,393	285,558	313,951	346,167	371,038
Intangible Assets	1,871,187	1,864,526	1,896,369	1,857,657	1,803,527
Capital Work in Progress	1,922	1,922	1,922	1,922	-
Investment in Shares	4,068,461	3,303,680	3,505,277	4,268,339	4,626,030
Other Non-current Assets	1,326	10,384	-	-	-
Current Assets	**1,341,192**	**1,922,492**	**1,680,701**	**893,411**	**755,559**
Inventories	54,037	50,873	55,365	58,065	55,397
Trade Receivables	73,332	93,039	107,473	65,686	103,669
Cash & Bank Balance	89,688	684,861	32,638	64,195	38,086
Other Financial Assets	1,104,441	1,058,297	1,469,098	681,555	522,155
Other Current Assets	11,305	11,377	16,127	16,418	21,167
Current Tax Assets (Net)	8,389	24,045	-	7,492	15,085
Total	**7,866,285**	**7,687,408**	**7,681,956**	**7,681,956**	**7,818,466**
EQUITY & LIABILITIES:					
Equity	**7,029,047**	**7,009,391**	**6,968,194**	**7,032,668**	**7,032,147**
Equity Share Capital	2,683,882	2,951,361	3,246,327	3,409,065	3,409,065
Other Equity	4,345,165	4,058,031	3,721,867	3,623,603	3,623,082
Non-Current Liabilities	**629,774**	**482,123**	**457,974**	**452,354**	**613,451**
Grant Aid in Reserve	195,809	189,437	183,049	175,148	167,248
Borrowings	159,134	110,069	94,659	79,659	64,659
Provisions	17,526	20,055	22,175	20,907	207,107
Deferred Tax Liabilities	232,613	140,201	138,697	158,167	156,885
Other Non-Current Liabilities	24,692	22,360	19,394	18,473	17,552
Current Liabilities	**207,465**	**195,894**	**255,788**	**154,033**	**172,869**
Borrowings	82,764	48,882	101,374	15,000	45,000
Trade Payables	20,832	38,177	39,030	15,543	10,452
Other Financial Liabilities	22,443	23,102	27,592	28,677	28,248
Provisions	2,033	3,647	2,600	3,866	1,538
Other Current Liabilities	79,393	82,085	85,192	90,947	87,631
Total	**7,866,285**	**7,687,408**	**7,681956**	**7,639,055**	**7,818,467**

FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

(In Thousands NPR)

Particulars	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22	2079/80 2022/23	2080/81 2023/24
INCOME					
Operating Income					
Electricity Sale to NEA	483,838	423,725	526,762	469,313	418,881
Electricity Sale to Consumers	195,137	213,989	239,480	247,530	268,955
Electricity Services	7,732	8,428	8,807	7,574	5,804
Total Operating Income	**686,707**	**646,142**	**775,049**	**724,417**	**693,640**
Income from Other Sources					
Financial Income	24,254	58,532	99,929	103,467	46,817
Dividend Income	744,121	324,956	11,440	44,165	27,889
Gain (Loss) on Disposal of Assets & Stock Materials	147	2,837	-	512,729	17,860
Depreciation Being Revenue Portion of Grant Aid	7,747	7,782	**7,839**	**7,900**	**7,900**
Other Income Including Forex gain/loss	23,551	359,922	28,589	34,682	55,148
Total Non- Operating Income	**799,828**	**754,029**	**147,797**	**702,943**	**155,614**
Total Income	**1,486,527**	**1,400,171**	**922,846**	**1,427,360**	**849,254**
EXPENDITURE					
Generation Expenses	245,690	312,181	295,793	303,590	305,055
Distribution Expenses	119,405	124,160	137,875	138,569	136,733
Administrative Expenses	123,339	127,739	127,427	126,787	124,852
Impairment Loss in Investment	246,302	252,051	-	462,097	10,000
Finance Costs	31,996	19,435	12,810	11,467	13,025
Total Expenditure	**766,732**	**835,567**	**573,905**	**1,042,510**	**589,665**
Net Profit Before Tax	**719,795**	**564,603**	**348,941**	**384,850**	**259,589**
Current Tax Provision	40,738	115,873	69,614	61,128	63,706
Deferred Tax Expenses/Credit	(52,227)	(53,086)	5,177	18,651	1,896
Net Profit After Tax	**731,284**	**501,816**	**274,150**	**305,071**	**193,987**

Our Presence



iLight the future

BUTWAL POWER COMPANY LIMITED

FINANCIAL STATEMENTS

2023-2024

JOSHI & BHANDARY ▪ Chartered Accountants

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INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Butwal Power Company Limited (the Company or "BPCL") which comprise the Statement of Financial Position (SoFP) as at Ashad 31, 2081 (corresponding to July 15, 2024), the Statement of Profit and Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies.

In our opinion and to the best of our information and explanations provided to us, the accompanying financial statement referred to above present fairly, in all material respects, the financial position of the Company as at Ashad 31, 2081 [i.e. July 15, 2024] and its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

BASIS OF OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of our report. We are independent of the Company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended Ashad 31, 2081. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements

Key Audit Matters	How our audit addressed the key audit matter
New Nepal Financial Reporting Standards which are specifically applicable for the current reporting period as per the pronouncement of Institute of Chartered Accountants of Nepal (ICAN) are not adopted by the Company (Refer Note 2.1 "Basis of Preparation and Measurement of the financial statements).	
BPC has opted not to adopt any of the new set of NFRS pronounced by ICAN, which are mandatory and might relate to it, but not specifically applicable considering the nature of its business and transactions for the financial year 2080-81 (2023-24). These standards include: • NFRS 14 "Regulatory Deferral Accounts" • NFRS 16 "Leases", • NFRS 17"Insurance Contracts" • NAS 29 "Financial Reporting in Hyperinflationary Economies".	We discussed with the management and those charged with governance regarding the non-adoption of new NFRS for the current reporting period. We also evaluated the effect on financial position of the company due to non-adoption with each of the new NFRS's which are mandatory for current reporting period as pronounced by ICAN considering the nature of business executed by the company. Based on our evaluation considering the transaction and account balances, we determined that overall impact on the financial position and profitability of the company due to non-adoption of new NFRS won't be significant. Those charged with governance of the company as well as management have committed to adopt all applicable NFRSs from next year despite the effect of such adoption on financial statement not being significant. Considering the circumstances, we have concluded that the exception noted are not significant.
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 13 "Other Financial Assets" and Note 35B "Contingent Liabilities and Commitments" of the financial statements).	
BPCL has entered into a separate Power Purchase Agreement for a new project at Andhikhola with a Commercial Operation Date on April 05, 2015 increasing its then existing capacity of 5.1 MW to 9.4 MW. The company has considered the additional 4.3 MW project at Andhikhola as a new project on the basis of a separate/new PPA agreement and has calculated and paid royalty to the Department of Electricity Development (DoED) at the rate applicable for a new project i.e. NPR 100 per KW of the installed capacity and 2% of revenue from sale of electricity. However, DoED has considered the project as an upgrade of the original project has demanded royalty applicable for an ongoing project i.e. NPR 1,000 per KW of installed capacity and 10% of revenue from sale of electricity which is under dispute and under consideration at the Supreme Court of Nepal as a writ petition Also, DoED, through its direct instruction to Nepal Electricity Authority (NEA), has already recovered the amount from the receivable of the company from NEA from sale of electricity made. Total disputed royalty payment withheld by NEA on behalf of DoED as of Asadh 31, 2081 amounted to NPR 40,708,234 (PY 40,238,306) and the amount thus deducted is accounted for and reported as receivable from DoED reflected under Note 13, recovery of which depends upon the outcome of the court ruling.	Our audit procedures included, but were not limited to, the following: We understood the basis taken by the company while taking a call that the additional 4.3 MW Project is a new project. We have evaluated the design and operation controls in relation to compliance with applicable laws and regulations. We collected and reviewed the summary of litigation documents provided by management and held discussion with those charge with governance. In respect to provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/contingent liability assessment, we reviewed the assumptions against third party data (wherever applicable) and assessed the estimates against the historical trends. We considered management's judgment on the level of provisions/recognition of contingent liability as appropriate.

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2080/81 (FY 2023/24) together with the Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

This report is expected to be made available to us after the date of our auditor's report. Our opinion on the Financial Statements does not cover other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work, we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as on the date of this issuance of this report.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The company's management is responsible for the preparation and fair presentation of these financial statements. In accordance with NFRSs that is also described under Notes to account and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosure in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

OTHER MATTERS

Other Equity of the financial statement includes Share Premium account with a balance of Rs. 1,753 million raised through equity shares issued to public at premium in FY 2074/75 and auction of right shares in earlier years. As explained, the company has no intension of distributing bonus shares out of such Share Premium Balance in near future even though same can be used for distribution of bonus share as per Companies' Act. If the company decides to utilize same and distribute as bonus in future, corporate income tax under section 56 (3) of Income-tax Act shall be applicable at that time and distribution thereof.

Our opinion on the Consolidated Financial Statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As per the Companies Act 2063, based on our audit carried out on sampling basis, we report that, in our opinion:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept by the Company as far as appears from our examination of such books;
3. The Statement of Financial Position (SoFP) as at Ashad 31, 2081 [corresponding to July 15, 2024], the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company;
4. The business of the Company has been conducted satisfactorily; and
5. To the best of our knowledge and in accordance with explanations given to us and from our examination of the books of accounts of the Company, necessary for the purpose of our audit, we have not come across cases where the Board of Directors, representative or any employee of the Company has acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Company deliberately.
6. Our suggestions for improvement in the Company's internal controls and accounting system have been presented in a separate management letter.

DILLIBAZAR, KATHMANDU
DATE: POUSH 03, 2081 (DEC 18, 2024)
UDIN – 241219CA00106DYXV3

MANMOHAN RAJ KAFLE, FCA
EXECUTIVE PARTNER

STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	As at 31 Ashadh 2081	As at 31 Ashadh 2080
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	262,312,392	271,559,483
Capital work-in-progress	3	-	1,922,130
Intangible assets	4	1,803,527,467	1,857,657,368
Project work-in-progress	5	371,037,839	346,166,594
Financial assets			
Investment in Subsidiaries and Associates	6	3,825,174,431	3,454,773,292
Other investments	7	800,855,626	813,565,356
Other non-current assets	12	-	-
Total Non-Current Assets		**7,062,907,755**	**6,745,644,223**
Current Assets			
Inventories	8	55,397,341	58,064,717
Financial assets			
Trade receivables	9	103,669,205	65,686,320
Cash and cash equivalents	10	30,971,263	64,179,003
Bank balance other than cash and cash equivalents	11	7,115,000	15,000
Other financial assets	13	522,154,733	876,555,420
Other current assets	12	21,167,299	16,418,463
Current tax assets (net)	14	15,085,376	7,492,170
Total Current Assets		**755,560,217**	**1,088,411,093**
Total Assets		**7,818,467,972**	**7,834,055,316**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	3,409,064,600	3,409,064,600
Other equity	16	3,623,082,367	3,623,603,445
Total Equity		**7,032,146,967**	**7,032,668,045**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	17	167,248,316	175,148,433
Financial liabilities			
Borrowings	19	64,659,280	79,659,280
Provisions	22	207,106,990	215,907,155
Deferred tax	14	156,885,458	158,166,950
Other non-current liabilities	20	17,551,648	18,472,610
Total Non-Current Liabilities		**613,451,692**	**647,354,428**
Current Liabilities			
Financial liabilities			
Borrowings	19	45,000,000	15,000,000

	Note	As at 31 Ashadh 2081	As at 31 Ashadh 2080
Trade payables	18	10,451,712	15,543,166
Other financial liabilities	21	28,247,996	28,676,980
Provisions	22	1,538,249	3,865,533
Other current liabilities	20	87,631,356	90,947,164
Current tax Liabilities (net)	14	-	-
Total Current Liabilities		**172,869,313**	**154,032,843**
Total Liabilities		**786,321,005**	**801,387,271**
Total Equity and Liabilities		**7,818,467,972**	**7,834,055,316**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date:Poush 03, 2081(December18, 2024)
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	2080-81	2079-80
Revenue	23	693,640,791	724,416,725
Cost of Sales			
Generation Expenses	24	(305,055,147)	(303,590,208)
Distribution Expenses	25	(136,732,791)	(138,569,213)
Gross profit		**251,852,853**	**282,257,304**
Depreciation Being Revenue Portion of Grant Aid	17	7,900,117	7,900,117
Other income	28	83,037,231	78,846,896
Provision for Impairment loss on Investment written back	28	17,860,259	512,728,738
Administrative and other operating expenses	26	(124,851,942)	(126,786,657)
Allowance for Expected Credit loss	27	(10,000,000)	(462,096,949)
Profit from Operation		**225,798,518**	**292,849,449**
Finance Income	29	46,816,597	103,466,812
Finance Costs	30	(13,025,465)	(11,466,997)
Profit Before Tax		**259,589,650**	**384,849,264**
Income Tax Expense			
Current tax	14	(63,706,340)	(61,127,796)
Deferred tax credit/charge	14	(1,895,941)	(18,650,795)
Profit for the year		**193,987,369**	**305,070,673**
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Equity instruments through other comprehensive income	7	(12,709,730)	3,275,341
ii. Tax relating to items that will not to be reclassified to profit or loss	14	3,177,433	(818,835)
Other comprehensive gain/(loss) for the year, net of tax		**(9,532,297)**	**2,456,506**
Total Comprehensive gain/(loss) for the year, net of tax		**184,455,072**	**307,527,179**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs	31	5.69	8.95
Diluted Earnings per share - Rs	31	5.69	8.95

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

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Independent Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Date:Poush 03, 2081 (December18,2024)
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	2080-81	2079-80
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		259,589,650	384,849,264
Adjustments for:			
Depreciation on property, plant and equipment		18,984,413	20,206,154
Amortization of Intangible Assets		84,769,692	82,719,872
Depreciation Being Revenue Portion of Grant Aid		(7,900,117)	(7,900,117)
Provision for ECL and employee benefits		(11,127,449)	(2,580)
Provision for Bonus		12,070,933	20,925,231
Finance income		(46,816,597)	(103,466,812)
Equity Investment written off		-	-
Impairment of Intangible asset		4,422,304	3,977,874
Finance cost		12,716,138	11,349,926
Impairment loss on investment in subsidiaries and associates		(10,000,000)	(462,096,949)
Loss/ (gain) on sale of Property, plant and equipment		-	(3,214,349)
Unrealized foreign exchange difference on cash and cash equivalents		(69,443)	(118,081)
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		(37,982,885)	41,786,980
(Increase)/ Decrease in other financial assets		(95,599,313)	207,542,842
(Increase)/ Decrease in other assets		(4,748,836)	(291,604)
(Increase)/ Decrease in Inventories		2,667,376	(2,700,187)
Increase / (Decrease) in trade payables		(5,091,454)	(23,486,371)
Increase / (Decrease) in financial liabilities		(428,983)	1,084,984
Increase / (Decrease) in other current liabilities		(294,156)	(3,290,462)
Cash generated from operations		**175,161,273**	**167,875,615**
Bonus paid		(20,857,678)	(15,061,001)
Income Tax Paid		(71,299,546)	(69,474,733)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**83,004,049**	**83,339,881**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		2,044,518	3,525,597
(Increase)/Decrease in Project work-in-progress		(24,871,245)	(32,215,235)
(Increase)/Decrease in Investment in Fixed Deposits		450,000,000	580,000,000
Interest Received		46,816,597	103,466,812

	Note	2080-81	2079-80
(Increase)/ Decrease Investment in Subsidiaries and Associates		(360,401,139)	(297,689,913)
(Increase)/ Decrease in Other Investments		-	-
Acquisition of Property, plant and Equipment		(9,859,712)	(7,485,848)
Purchase of Intangibles		(35,062,095)	(47,986,568)
Grant Aid received/ (refunded)		-	-
Bank balance other than cash and cash equivalents		(7,100,000)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**61,566,924**	**301,614,845**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further public offering (FPO)		-	-
Issue of right share		-	-
Share Issue Cost		(14,522,920)	-
Borrowing (repaid) / taken (net)		15,000,000	(15,000,000)
Dividend paid		(165,609,097)	(240,792,820)
Interest paid		(12,716,138)	(11,349,926)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(177,848,155)**	**(267,142,746)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(33,277,182)**	**117,811,980**
Net foreign exchange difference on cash and cash equivalents		69,443	118,081
CASH AND CASH EQUIVALENTS, Beginning of Year		**64,179,002**	**(53,751,059)**
CASH AND CASH EQUIVALENTS, End of Period	**38**	**30,971,263**	**64,179,002**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

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Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date:Poush 03, 2081 (December 18, 2024)
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves				Total
		Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	
Balance at 1st Shrawan 2079	3,246,326,800	1,767,535,318	148,700,000	265,768,915	1,539,862,883	6,968,193,916
Profit for the year	-	-	-	-	305,070,673	305,070,673
Other comprehensive income	-	-	-	2,456,506	-	2,456,506
Total comprehensive income	**-**	**-**	**-**	**2,456,506**	**305,070,673**	**307,527,179**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	162,737,800				(162,737,800)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(243,053,050)	(243,053,050)
Balance at 31st Ashadh 2080	**3,409,064,600**	**1,767,535,318**	**148,700,000**	**268,225,421**	**1,439,142,706**	**7,032,668,045**
Profit for the year	-	-	-	-	193,987,369	193,987,369
Other comprehensive income	-	-	-	(9,532,297)	-	(9,532,297)
Total comprehensive income	-	-	-	**(9,532,297)**	**193,987,369**	**184,455,072**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	-				-	-
Share Issue Cost	-	(14,522,920)	-	-	-	(14,522,920)
Dividends to shareholders	-	-	-		(170,453,230)	(170,453,230)
Balance at 31st Ashadh 2081	**3,409,064,600**	**1,753,012,398**	**148,700,000**	**258,693,124**	**1,462,676,845**	**7,032,146,967**

The accompanying notes are integral part of these financial statements.

As per our report of even date

Uttar Kumar Shrestha
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Director

Tirtha Man Shakya
Independent Director

Date:Poush 03, 2081 (December 18, 2024)
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2081

Note 1: Background

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

The core business of BPC includes:

- Generation of Hydroelectricity
- Distribution of Hydroelectricity
- Project Development
- Investment in the shares of projects and other companies

The financial statements apply to the financial year ended 31st Ashadh 2081 (15th July 2024).

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

The accompanying financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Poush 03, 2081 (December 18, 2024). The Board of Directors acknowledges the responsibility for the preparation of financial statements.

Note 2: Significant accounting policies

2.1 BASIS OF PREPARATION AND MEASUREMENT

i. Statement of Compliance

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

NEW STANDARDS ISSUED BY ICAN WHICH ARE APPLICABLE AT 15TH JULY 2024:

NFRS 9 "Financial Instruments" (Revised),

The Company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NFRS 9. The company has recognized a loss allowance for expected credit losses for NPR 10,000,000 on financial assets

during the FY 2080/81 based on the assessment that there have been significant increases in credit risk since initial recognition. Additional disclosures were made under Note 27 and Note 2.17

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

During the year, BPCL constructed a new infrastructure asset and identifies a performance obligation (operation and maintenance) under a service concession arrangement (contract) which includes transmission line upgrading, renovation of distribution lines, etc. amounting to NPR 32,926,395 (Intangible asset during the year). The company has applied the intangible asset model to recognize the asset as per IFRIC 12 – Service concession arrangements.

Income from the concession arrangements earned under the intangible asset model consists of:

i) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
ii) payments received from the users.

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred, considering the fair value of the amount transferred, therefore no adjustments were made to revenue and cost incurred. The amounts paid are set at market value.

NFRS 16 Leases: The new standard on lease is applicable from 16 July 2021 and it sets out the principles for the recognition, measurement, presentation, and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by earlier IAS 17 and instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. NFRS 16 substantially carries forward lessor accounting requirements in IAS 17. Accordingly, the company in the capacity of a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

New Standards issued by ICAN which are yet to be adopted at 16th July 2023:
BPC has not opted for the adoption of the new set of NFRS pronounced by ICAN, which may relate to it, but not specifically relevant to the company. These standards include:

NFRS 17 "Insurance Contracts" NFRS 17 would be effective from July 16, 2024, and early application is allowed. The effect of application of NFRS 17 is being studied and initial assessment is that our business would not be materially affected by NFRS 17.

NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, has not be adopted based and initial assessment is that our business would not be materially affected by NAS 29.

ii. Basis of preparation
The financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in the functional and presentation currency of the Company i.e., Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.

iii. Basis of measurement
These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily include: -

Useful life and residual value of property, plant, and equipment
Management reviews the useful life and residual values of property, plants, and equipment at least once a year. Such a life is dependent upon an assessment of both the technical life of the assets and their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

Impairment of property plant and equipment

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant, and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates, and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact on the carrying value of assets.

Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized.

Fair value measurements

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third-party qualified valuers to perform the valuation as per necessity. The management works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Recognition of deferred tax assets

A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

2.3 SERVICE CONCESSION ARRANGEMENTS

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and

(b) The grantor controls through ownership, beneficial entitlement, or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement

(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

The infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC if the conditions in (a) above are met.

These arrangements are accounted for based on the below-mentioned models depending on the nature of consideration and relevant contract law.

Financial asset model:

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible asset model:

The intangible asset model is used to the extent that the Company, being an operator, receives the right (a license) to charge users of the public service. A right to charge users of public service is not an unconditional right to receive cash because the amounts are contingent on to the extent the public uses the services. Both types of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e., considered as a financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

Intangible Assets under Service Concession Arrangement (SCA)

The Company manages concession arrangements which include power supply from its two hydropower plants viz. 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives BPC the right to use the hydropower project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under the intangible asset model is recognized in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

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

2.4 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
ii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
iii. The Company identifies and determines the cost of each component/ part of the asset separately if the component/ part has a cost that is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
iv. The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
v. An item of property, plant, and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.
vi. Assets during construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

2.5 Other Intangible Assets

i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

ii. Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence, and significant benefits expected to flow therefrom for a period longer than one year.
iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

2.6 DEPRECIATION AND AMORTIZATION

i. Depreciation is recognized to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the written-down method.
ii. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
iii. Depreciation is provided on the written-down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on a pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

Category of asset	Estimated useful life	Depreciation Rate
Building	58-59 years	5%
Plant and Equipment	18 -19 years	15%
Office equipment	10-11 years	25%
Furniture and fixtures	10-11 years	25%
Computers and accessories	10-11 years	25%
Vehicles	13 – 14 years	20%

Computer software is amortized over an estimated useful life of 5 years on straight-line basis.

iv. Useful life is either the period during which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful life, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

v. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR 10,000 per unit are charged to the profit and loss account in the year of purchase.
vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight-line basis.

2.7 Impairment of tangible and intangible assets

i. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.
ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.
v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its

recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss.

2.8 BORROWING COST

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

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

2.9 CASH AND CASH EQUIVALENTS

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

2.10 INVENTORIES

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

2.11 REVENUE RECOGNITION

i) Sale of Electricity

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

ii) Other Electricity services

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

iii) Dividend income

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

iv) Interest income

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

2.12 FOREIGN CURRENCY TRANSACTIONS

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

2.13 EMPLOYMENT BENEFITS

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

Defined contribution plan – Provident Fund

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

Defined contribution plan – Gratuity Fund

As per the provision of the new Labor Act enacted and effective from 19th Bhadra, 2074, the gratuity plan has been converted into a contribution plan from a defined benefit plan. Contribution for gratuity is currently being deposited with Citizen Investment Trust (CIT). However, from FY 2078/79, BPC has started to deposit contribution for gratuity on monthly basis to the separate Social Security Fund (SSF) about the new employees appointed from Shrawan 01, 2078, onwards. Contributions to the Gratuity fund are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions.

Short-term and long-term employment benefits

i. A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
ii. Liabilities recognized in respect of short-term employees and contractual employees; benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
iii. Compensated absences that are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

2.14 TAXATION

Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to the company:
Income from Manufacturing and sale of electricity: 20% (2079/80: 20%)
Income from Other services: 25% (2079/80: 25%)

Deferred tax

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.
ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The tax rate for income from manufacturing and the sale of electricity is 20%.

2.15 EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split, and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest, and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted at the beginning of the period unless they have been issued later.

2.16 PROVISIONS, CONTINGENCIES, AND COMMITMENTS

i. Provisions are recognized when the Company has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.
iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.
v. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.
vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize contingent liability but discloses its existence in the financial statements.
vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
viii. Commitments include the amount of purchase order (net of advances) issued to parties for the completion of assets.
ix. Provisions, contingent liabilities, contingent assets, and commitments are reviewed at each reporting period.

2.17 FINANCIAL INSTRUMENTS

i. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities, and financial guarantee contracts are initially measured at transaction cost, and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of a financial asset or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss. In case of interest-free or concession loans/debentures/preference shares given to subsidiaries, associates, and joint ventures, the excess of the actual amount of the loan over the initial measure at fair value is accounted as an equity investment.

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investments in preference shares/debentures not meeting the aforesaid conditions are classified as debt instruments at amortized cost.

ii. Effective interest method
The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Income/ expense arising on financial instruments after applying an effective interest rate is recognized in the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item.

iii. Financial assets

Financial assets at amortized cost
Financial assets are subsequently measured at amortized cost if these financial assets are held within a business model whose objective is to hold these assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value.
Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company in respect of equity investments (other than in subsidiaries, associates, and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income are carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

Impairment of financial assets
The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

De-recognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in a statement of profit or loss.

iv. Financial liabilities and equity instruments

Classification as debt or equity
Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument.

Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received net of direct issue costs.

Financial Liabilities
Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at

amortized cost, using the effective interest rate method where the time value of money is significant. Interest-bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts
Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

De-recognition of financial liability
Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

v. Off-setting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

vi. Fair Value measurement:
The Company measures financial instruments, such as investment in equity instruments, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.18 LEASES
The determination of whether an arrangement is (or contains) a lease is based on the substance of the

arrangement at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The company as a Lessee

At the commencement date, the Company shall recognize a right to use assets at cost and a lease liability at the present values of the lease payments that are not paid on that date. The lease payment shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the company shall use its incremental borrowing rate.

After the commencement date, the company shall measure the right to use asset applying a cost model or measurement model. To apply a cost model, the company shall measure the right of use asset at cost less any depreciation and any accumulated impairment losses adjusted for remeasurement of lease liability as mentioned below.

After the commencement date, the company shall measure the lease liability by

(a) Increasing the carrying amount to reflect interest on the lease liability.

(b) Reducing the carrying amount to reflect the lease payments made; and

(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments

The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement convey a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

The Company as lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance Lease

At the commencement date, a lessor shall recognize assets held under a finance lease in its Statement of Financial Position and present them as receivable at the amount equal to net investment in lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease., In case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the lease) to measure the net investment in the sublease.

A lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating Lease

A lessor shall recognize lease payments from operating leases as income either of straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefits from use of the underlying asset is diminished.

2.19 GOVERNMENT GRANTS AND GRANT AID IN RESERVE

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities.

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

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

2.20 NON-CURRENT ASSETS HELD FOR SALE.

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sales expected within one year from the date of classification.

The criteria for held for sale classification is regarded as met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plants and equipment, and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortized.

2.21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity, and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees on policies for managing each of these risks which are summarized below: -

a. Currency risk

The Company is subject to the risk that changes in foreign currency values impact on the Company's imports of inventories and property, plant, and equipment. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Company's approach to the management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all the years presented. Since there is not significant currency risk, the Company has not entered any forward contract.

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashadh 31, 2081 and Ashadh 31, 2080: -

Particulars	Currency	Ashadh 31, 2081	Ashadh 31, 2080
Cash and bank balance	NPR	4,064,673 4,064,673	4,239,122
	USD	30,479	32,318

b. Credit risk

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. No amount has been recognized in the financial position as financial liabilities.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations. Since the interest rate risk is influenced by market forces, BPC has little role to play in minimizing this risk. BPC has made swap arrangements to minimize the interest rate risk associated with foreign currency. Further, the Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

d. Liquidity risk

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressful conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

To control liquidity risk and for better working capital management, BPC has arranged an adequate level of OD facility for short-term financing. The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required), and any excess is invested in interest-bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

2.22 CAPITAL MANAGEMENT

For the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements to meet its strategic and day-to-day needs. it considers the amount of capital in proportion to the risk and manages the capital structure considering changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain the future development and growth of its business. The Company's focus is on keeping a strong total equity base to ensure independence, and security, as well as high financial flexibility for potential future borrowings, if required, without impacting on the risk profile of the Company. The Company will take appropriate steps to maintain, or if necessary, adjust its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31st Ashadh, 2081 and 31st Ashadh, 2080.

2.23 SEGMENT REPORTING

The Chief Executive Officer and functional managers of the Company have been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators, however the Company is primarily engaged in only one segment viz., "Generation and Sale of electricity" and most of its operations are in Nepal. Hence the Company does not have any reportable Segments as per NFRS 8 "Operating Segments".

2.24 STAFF BONUS

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

2.25 CONTINGENT ASSETS

As per point 61 of the Budget Speech of Fiscal Year 2014/15, the Government of Nepal, Ministry of Finance declared to provide a lump sum grant of Rs 5.5 million per MW of electricity to those producers who generate and connect the generated electricity to the national grid within FY 2017/18. Andhikhola Hydropower Project, upgraded from 5.1 MW to 9.4 MW achieved a Commercial Operation Date (COD) on April 5, 2015 (Chaitra 22, 2071) from Nepal Electricity Authority (NEA). The first request was made to the Ministry of Energy dated May 8, 2015, and subsequent follow-up letters have been submitted from time to time. The total Grant for the upgraded capacity of the plant is NPR 23.65 million.

2.26 DESCRIPTION OF SUBSIDIARIES, ASSOCIATES,

AND OTHER EQUITY INVESTMENTS

a) Nepal Hydro & Electric Limited
BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the initial shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro, and General Construction Ltd. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The current shareholders are BPC (51.3%), IKNI (46.9%), Butwal Technical Institute (1.1%), and Himal Hydro and General Construction Limited (0.7%). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

b) Khudi Hydropower Limited
Khudi Hydropower Limited (KHL) operates a 4 MW Khudi Power Plant, which began commercial operation in FY 2063/64. BPC holds 60% shares of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada. BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 12.53.% (14.34% in FY 2079/80) (i.e., the prevailing interest rate 10.03% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

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

d) Nyadi Hydropower Limited
Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC owned 71.68% shares of NHL followed by 27% Public and 1.32% LEDCO shareholdings as on reporting date. Generation of electricity started from Baisakh 27, 2079 (May 10, 2022) the COD date.

e) Hydro-Consult Engineering Limited
The engineering business unit of BPC was merged with Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and acquired 20% of the shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

f) Gurans Energy Limited
Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has acquired 60% of the shares held by InfraCo Asia Development on Shrawan 18, 2080 (August 03, 2023). With this additional acquisition, BPC owned 100% shares of InfraCo Asia Development effective from FY 2080/81. Currently, the only project in the pipeline of GEL is 37.6 MW Kabeli – A Project under construction.

g) Kabeli Energy Limited (KEL)
Kabeli Energy Ltd. has been established for the development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar District in Nepal, under build, own, operate and transfer (BOOT) model as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). After the exit of InfroCo Asia, BPC is developing the project in partnership with Arun Kabeli Private Limited (AKPL) with shareholding ration of 60% and 40% respectively. The project construction has been resumed after amendment of PPA with NEA and financial closure from local consortium of banks on December 1, 2023. BPC has invested additional NPR 380 million in Kabeli-A project till the end of FY 2080/81 as a part of the its Equity for the revival process .

h)Himal Power Limited (HPL)
Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashadh, 2057 (5 July 2000). HPL was established on 2049/11/10 (21 February 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) model. The major current shareholders are Statkraft Holding Pte. Ltd. Singapore, Eviny AS, Norway and BPC. BPC is holding 16.88% shares in HPL As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Asadh 28, 2077), and necessary process of forming Joint venture Company as per the provision of PPA regarding handover and takeover of the share is ongoing.

i) Hydro Lab Private Limited
Hydro Lab Private Limited (HLPL)was established in

2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi and others. BPC holds 16.74% shares in HLPL.

j) S.C.I.G. International Nepal Hydro Joint Development Company Private Limited

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited was established on 22nd November 2017 to develop, own, acquire and operate hydropower projects in Nepal and invest in such business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG), and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with a capital contribution of 20%, 51%, 17% and 12% respectively. The company has an authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each.

k) Manang Marsyangdi Hydropower Company Pvt. Ltd.

Manang Marshyangdi Hydropower Company Private Limited (“MMHCPL” or “the Company”) is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu. Manang Marsyangdi Hydro-Electric Project developed by the Company with an installed capacity of 282 MW (now optimized capacity at 135MW under Q40) is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal within the Annapurna Conservation Area (ACAP). The project is in the pre-construction phase as on reporting date.

BPC owns 19.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. 80.60% of the total shares are owned by SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and signed the PPA with NEA for 135 MW MMHEP. The process of financial closure ongoing with the China EXIM Bank and major terms already agreed. EPC Contractor is working at site for construction preparation.

l) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001, under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marsyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contract address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up the project.

BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is in the process of negotiation. DPR approval at IBN has been completed. The PDA negotiation committee has already been formed at IBN. The Connection Agreement has already been signed with NEA as a process of PPA.

m) Marsyangdi Transmission Company Pvt. Ltd. (MTCL)

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on April 27, 2010, under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600MW upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. The register address of the company is P O Box: 148, Chakupat-10, Lalitpur and contract address is at Sanepa, Lalitpur, Nepal.

BPC has acquired 19.40% shares of MTCPL on 24th May 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST ASHADH 2081

Figures in NPR

Note no: 3
Property, plant and equipment:

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 1st Shrawan 2079	48,515,535	264,717,722	64,405,736	23,869,852	4,131,061	43,416,503	20,706,956	1,922,130	**471,685,495**
Additions	-	-	950,174	164,317	3,939,855	261,900	2,169,602	-	**7,485,848**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(654,730)	(167,675)	(186,812)	(330,314)	(699,438)	-	**(2,038,969)**
Balance at 31st Ashadh 2080	48,515,535	264,717,722	64,701,180	23,866,494	7,884,104	43,348,089	22,177,120	1,922,130	**477,132,374**
Additions	-	-	1,769,447	63,000	417,202	6,328,872	1,281,191	-	**9,859,712**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(623,188)	(22,123)	(31,990)	(13,378)	(395,954)	(1,922,130.00)	**(3,008,763)**
Balance at 31st Ashadh 2081	48,515,535	264,717,722	65,847,439	23,907,371	8,269,316	49,663,583	23,062,357	-	**483,983,323**
Accumulated depreciation									
Balance at 1st Shrawan 2079	-	72,243,199	49,624,632	20,264,637	2,384,664	27,799,098	12,856,098	-	**185,172,328**
Charge for the year	-	9,596,621	3,672,908	992,795	622,146	3,131,337	2,190,347	-	**20,206,154**
Disposals	-	-	(562,738)	(142,369)	(134,387)	(267,381)	(620,846)	-	**(1,727,721)**
Balance at 31st Ashadh 2080	-	81,839,820	52,734,802	21,115,063	2,872,423	30,663,054	14,425,599	-	**203,650,761**
Charge for the year	-	9,116,790	3,126,555	771,231	897,368	2,896,114	2,176,355	-	**18,984,413**
Disposals	-	-	(552,865)	(20,462)	(24,581)	(11,582)	(354,755)	-	**(964,245)**
Balance at 31st Ashadh 2081	-	90,956,610	55,308,492	21,865,832	3,745,210	33,547,586	16,247,199	-	**221,670,929**
Net book value									
At 1st Shrawan 2079	48,515,535	192,474,523	14,781,104	3,605,215	1,746,397	15,617,405	7,850,858	1,922,130	**286,513,167**
At 31st Ashadh 2080	48,515,535	182,877,902	11,966,378	2,751,431	5,011,681	12,685,035	7,751,521	1,922,130	**273,481,613**
At 31st Ashadh 2081	48,515,535	173,761,112	10,538,947	2,041,539	4,524,106	16,115,997	6,815,158		**262,312,392**

a) Refer Note 19 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.
b) Capital work in progress includes expenditure on on-going contractual works for development of Revenue Accounting Software

Note no: 4
Intangible assets:

Figures in NPR

Intangible assets:	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2079	1,624,001	2,399,712,876	**2,401,336,877**
Additions - Externally acquired	-	47,986,568	**47,986,568**
Transfer from CWIP	-	-	**-**
Adjustment during the year	-	(4,509,221)	**(4,509,221)**
Balance at 31st Ashadh 2080	1,624,001	2,443,190,223	**2,444,814,224**
Additions - Externally acquired	2,135,700	32,926,395	**35,062,095**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(95,112)	(4,963,709)	**(5,058,821)**
Balance at 31st Ashadh 2081	3,664,589	2,471,152,909	**2,474,817,498**
Amortisation			
Balance at 1st Shrawan 2079	668,623	504,299,710	**504,968,333**
Charge for the year	324,800	82,395,072	**82,719,872**
Adjustment during the year	-	(531,347)	**(531,347)**
Balance at 31st Ashadh 2080	993,423	586,163,435	**587,156,858**
Charge for the year	324,800	84,444,892	**84,769,692**
Adjustment during the year	(95,112)	(541,405)	**(636,517)**
Balance at 31st Ashadh 2081	1,223,111	670,066,922	**671,290,033**
Net book value			
At 1st Shrawan 2079	955,378	1,895,413,166	**1,896,368,544**
At 31st Ashadh 2080	630,578	1,857,026,788	**1,857,657,366**
At 31st Ashadh 2081	2,441,478	1,801,085,987	**1,803,527,467**

a) Refer Note 19 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.
b) The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

Note no: 5
Project work-in-progress

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
	At cost	At cost
Chino Khola SHP	40,353,463.65	36,059,482
Lower Manang Marshyangdi HEP	239,395,851.13	220,879,812
Mugu Karnali HEP	86,903,374.41	85,810,765
Solar Project at Jhimruk Area (7 MW)	4,385,149.50	3,416,537
Total	**371,037,838.69**	**346,166,596**

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

Note no: 6
Investment in subsidiaries and associates

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at cost				
Investment in Subsidiary Companies				
"Nepal Hydro & Electric Limited (Equity Shares of NPR 100 each fully paid up)"	715,800	71,580,000	715,800	71,580,000
"Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	504,000	50,400,000	504,000	50,400,000
Khudi Hydropower Limited (Preference Shares of NPR 100 each fully paid up)	576,000	57,600,000	576,000	57,600,000
"BPC Services Limited (Equity Shares of NPR 100 each fully paid up)"	100,000	10,000,000	100,000	10,000,000
"Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	10,751,453	1,075,145,300	10,751,453	1,075,145,300
"Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)"	147,231	42,991,260	147,231	42,991,260
"Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)"	3,319,836	331,983,600	3,319,836	331,983,600
Investment in Associate Companies				
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	296,686,000	2,966,860	296,686,000
"Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)"	-	-	-	-
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	789,700,830	601,300	789,700,830
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,346,245	6,406	10,346,245
Manang Marsyangdi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up). Refer note 2.26 (k) for details	171,876	127,661,228	198,455	147,402,781
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	93,520,876	3,125,439	93,520,876
Advance towards share capital including incidental cost:				
SCIG Int'l Nepal Hydro Joint Venture Development Co. Pvt. Ltd.	-	94,000,000	-	44,000,000
Gurans Energy Limited	-	142,930,323	-	-
Hydro-Consult Engineering Limited	-	-	-	-
Manang Marsyangdi Hydropower Company Pvt. Ltd.	-	353,086,000	-	182,086,000
Chino Khola SHP	-	40,473,092	-	-
Kabeli Energy Limited	**-**	**506,306,367**	-	**251,330,400**
Gross Investment at Cost (A)	**22,986,201**	**4,094,411,121**	**23,012,780**	**3,454,773,292**
Less: Provision for Expected Credit loss				
Gurans Energy Limited		(142,930,323)		(135,700,323)
Kabeli Energy Limited		**(126,306,367)**		**(123,536,367)**
Total Provision (B)		**(269,236,690)**		**(259,236,690)**
Net Investment at cost less impairment (A+B)		3,825,174,431		3,195,536,602

During the current year Additional Allowances for expected credit loss of NPR 1,000,000.00 has been made considering remoteness of chances for conversion of Advance towards share into Equity shares of Kabeli Energy for NPR 2,770,000 and for Gurans Energy Limited for NPR 7,230,000.

Note no: 7
Other investments

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
"Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)"	2,978,502	740,282,587	2,978,502	759,512,872
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	40,573,039	10,000	34,052,484
"Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)"	-	-	-	-
Total Investment at Fair Value through Other Comprehensive Income	**2,988,502**	**780,855,626**	**2,988,502**	**793,565,356**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**2,988,502**	**800,855,626**	**2,988,502**	**813,565,356**

Note no: 8
Inventories

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
General Stock/Office Supplies/Consumer Service Items	6,945,888	8,663,033
Stock of Electric Goods	7,999,848	8,890,299
T/L & D/L Stock	4,437,393	4,490,183
Other engineering inventories and spare parts	36,014,212	36,021,202
Total	**55,397,341**	**58,064,717**

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

Note no: 9
Trade receivables

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Nepal Electricity Authority	40,081,121	44,044,196
Local Consumers	63,588,084	21,642,124
Total	**103,669,205**	**65,686,320**

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

Note no: 10
Cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31stAshadh 2080
Balances with banks		
Local currency account		
In current accounts	7,745,323	30,460,997
In call accounts	18,645,373	28,550,462
In deposits accounts (Original maturity less than 3 months)	-	-
Convertible currencies account		
In current accounts	3,030,234	2,981,882
In call accounts	1,034,439	1,257,240
Cheques in Hand	54,159	22,920
Cash in hand	461,735	905,502
Total	**30,971,263**	**64,179,003**

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

Note no: 11
Bank balance other than cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Balances with Bank		
In deposit account	-	-
Embarked balance with bank		
Margin money	7,115,000	15,000
	7,115,000	**15,000**

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

Note no: 12
Other assets (Current and Non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-current	Current	Non-current
Capital advance	7,101,882	-	573,859	-
Prepaid Expenses	14,065,417	-	15,844,604	-
Total	21,167,299	-	16,418,463	-

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

Note no: 13
Other financial assets (Current and Non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-current	Current	Non-current
Government Deposits	-	-	-	-
Deposit (Others)	229,598	-	462,268	-
Advances to Staff	450,809	-	406,917	-
Receivables from Employee Welfare Fund	14,301,855	-	14,301,855	-
Receivables from Harish Chandra Shah	185,000,000	-	185,000,000	-
Receivables from SC Power Company Pvt. Ltd.	-	-	10,000,000	-
Dividend receivable from subsidiaries and associates	15,868,800	-	-	-
Interest receivable from subsidiaries and associates	115,444,228	-	19,387,519	-
Investment in Fixed Deposit	-	-	450,000,000	-
Other receivables from subsidiaries and associates	151,209	-	1,758,555	-
Other receivables from Citizen Investment Trust	-	-	-	-
Advance to subsidiaries and associates	150,000,000		155,000,000	
Other receivables from Department of Electricity Development (DoED)	40,708,234	-	40,238,306	-
Other receivables	-	-	-	-
Total	**522,154,733**	**-**	**876,555,420**	**-**

RRefer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.
Allowances for expected Credit loss has been provided for amount receivable from Harish Chandra Shah NPR 185,000,000 considering the uncertainity regarding the recoverability.

Note no: 14
INCOME TAXES

Figures in NPR

A.	Tax expense recognised in the Statement of Profit and Loss	Year ended 31 Ashadh, 2081	Year ended 31 Ashadh, 2080
	Current tax expenses		
	Current tax on profits for the year	48,232,578	61,127,796
	Adjustments for under provision in prior periods	15,473,762	-
	Deferred tax credit/charge		
	Origination and reversal of temporary differences	1,895,941	18,650,795
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax expense reported in Statement of Profit or Loss	**65,602,281**	**79,778,591**

B.	Tax expense recognised in Other comprehensive income	Year ended 31 Ashadh, 2081	Year ended 31 Ashadh, 2080
	Deferred tax		
	Origination and reversal of temporary differences	(3,177,433)	818,835
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax charged to OCI	**(3,177,433)**	**818,835**

C.	Current tax asset / (liability) -net:	Year ended 31 Ashadh, 2081	Year ended 31 Ashadh, 2080
	Advance Income Tax	63,317,954	68,648,482
	Less: Income Tax Liability	(48,232,578)	(61,156,312)
	Total	**15,085,376**	**7,492,170**

D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	31 Ashadh, 2081			31 Ashadh, 2080		
		Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	157,574,186	102,015,463	259,589,649	197,461,255	187,388,009	384,849,264
	Enacted tax rate	20%	25%		20%	25%	
	Computed tax expense	**31,514,837**	**25,503,866**	**57,018,703**	**39,492,251**	**46,847,002**	**86,339,253**
	Differences due to:						
	Tax effect due to non taxable income	-	(6,972,350)	(6,972,350)	-	(11,041,250)	(11,041,250)
	Effect due to non deductible expenses	3,157,509	2,065,474	5,222,983	1,932,001	3,801,137	5,733,138
	Tax effect due to difference in depreciation rate	(5,005,455)	(66,238)	(5,071,693)	(7,181,744)	(63,654)	(7,245,398)
	Opening Accumulated losses	-	-	-	-	-	-
	Tax effect of Impairment reversal less Allowance for ECL	-	(1,965,065)	(1,965,065)	-	(12,657,947)	(12,657,947)
	Current tax on profits for the year	**29,666,891**	**18,565,687**	**48,232,578**	**34,242,508**	**26,885,288**	**61,127,796**

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2080 and 31 Ashadh, 2081:

i.	Movement during the year ended 31 Ashadh, 2080	"As at 1 Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh,2080"
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	5,274,538	73,398	-	5,347,936
	Provision for loss on investment	128,182,185	(128,182,185)	-	-
	Depreciation and Amortisation	(183,564,404)	(6,066,245)	-	(189,630,649)
	Investment in equity instrument	(88,589,639)	-	(818,835)	(89,408,474)
	Amortisation cost of term loan	-	115,524,237	-	115,524,237
	Unused tax losses	-	-	-	-
	Total	**(138,697,320)**	**(18,650,795)**	**(818,835)**	**(158,166,950)**

ii.	Movement during the year ended 31 Ashadh, 2081	"As at 31 Ashadh,2080"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh,2081"
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	5,347,936	(281,863)	-	5,066,073
	Provision for loss on investment	-	113,559,173	-	113,559,173
	Depreciation and Amortisation	(189,630,649)	(2,149,014)	-	(191,779,663)
	Investment in equity instrument	(89,408,474)	-	3,177,433	(86,231,041)
	Amortisation cost of term loan	115,524,237	(113,024,237)	-	2,500,000
	Unused tax losses	-	-	-	-
	Total	**(158,166,950)**	**(1,895,941)**	**3,177,433**	**(156,885,458)**

Note no: 15
Equity Share Capital

Figures in NPR

A. Equity Shares				
Particulars	**"As at 31st Ashadh, 2081"**		**"As at 31st Ashadh, 2080"**	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
Authorised				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	34,090,646	3,409,064,600
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	34,090,646	3,409,064,600
	34,090,646	**3,409,064,600**	**34,090,646**	**3,409,064,600**

B. Reconciliation of the number of shares outstanding at the beginning and end of the year		
	"As at 31st Ashadh, 2081"	**"As at 31st Ashadh, 2080"**
	No. of Shares	**No. of Shares**
Balance as at the beginning of the year	34,090,646	32,463,268
Add: Issue of bonus share during the year	-	1,627,378
Balance as at end of the year	**34,090,646**	**34,090,646**

C. Details of shareholding more than 1%				
Particulars	**"As at 31st Ashadh, 2081"**		**"As at 31st Ashadh, 2080"**	
	No. of Shares	**Share %**	**No. of Shares**	**Share %**
Shangri-La Energy Ltd.	19,191,816	56.30%	19,191,816	56.30%
Government of Nepal	2,530,249	7.42%	2,530,249	7.42%
IKN Nepal A.S., Norway	538,689	1.58%	538,689	1.58%
United Mission to Nepal	466,161	1.37%	466,161	1.37%
Nepal Electricity Authority	293,974	0.86%	293,974	0.86%
General Public Shareholders				
- Other General Public shareholders	11,069,757	32.47%	11,069,757	32.47%

D. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital. The Company declares and pays dividend in Nepalese rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

E. Dividend Paid and Proposed:		
Declared dividends and proposed dividends	**"As at 31st Ashadh, 2081"**	**"As at 31st Ashadh, 2080"**
Declared and approved for during the year:		
"Dividends on ordinary shares: (2077-78: NPR. 10 per share) "	-	162,737,800
Declared dividend for 2079-80: Cash dividend NPR 5 per share		
(2078-79: cash dividend NPR 7.5% per share and stock dividend 5 per share)		
"Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date): "		
Dividends on ordinary shares:		
Proposed dividend for 2080-81: Cash dividend NPR 5 per share payable after approval of 32nd AGM.(2079-80: cash dividend NPR 5% per share)	170,453,230	

Note no: 16
Other equity

Figures in NPR

Other equity	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1st Shrawan 2079	1,767,535,318.00	148,700,000.00	265,768,915.00	1,539,862,883.00	**3,721,867,116**
Profit for the year	-	-	-	305,070,673.00	**305,070,673**
Other comprehensive income	-	-	2,456,506.00	-	**2,456,506**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share	-	-		(243,053,050.00)	**(243,053,050)**
Dividends to shareholders	-	-	-	(162,737,800.00)	**(162,737,800)**
Prior Year's Adjustment	-	-	-	-	**-**
Balance at 31st Ashadh 2080	1,767,535,318	148,700,000	268,225,421	1,439,142,706	**3,623,603,445**
Profit for the year	-	-	-	193,987,369	**193,987,369**
Other comprehensive income	-	-	(9,532,297)	-	**(9,532,297)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Dividends to shareholders				(170,453,230)	**(170,453,230)**
Share Issue Cost	(14,522,920)	-	-	-	**(14,522,920)**
Issue of bonus share	-	-	-	-	**-**
Balance at 31st Ashadh 2081	1,753,012,398	148,700,000	258,693,124	1,462,676,845	**3,623,082,367**

Note no: 17
Grant aid in reserve

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
Name of Grantors				
NORAD	7,150,157	328,484	7,478,641	328,484
UMN PCS	14,237,679	673,931	14,911,610	673,931
USAID	8,032,847	382,723	8,415,570	382,723
REGDAN	8,729,502	414,375	9,143,877	414,375
JRP	4,327,846	206,805	4,534,651	206,805
REEP	58,344,784	2,773,848	61,118,632	2,773,848
Local VDC/Community	66,425,501	3,119,951	69,545,452	3,119,951
Total	**167,248,316**	**7,900,117**	**175,148,433**	**7,900,117**

Note no: 18
Trade payables

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Trade payables	10,451,712	-	15,543,166	-
Hydro-Consult Engineering Limited	-	-	-	
Total	**10,451,712**	**-**	**15,543,166**	**-**

Note no: 19
Borrowings

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	15,000,000	64,659,280	15,000,000	79,659,280
Short-term loan	30,000,000	-	-	-
Total	**45,000,000**	**64,659,280**	**15,000,000**	**79,659,280**

1) Term loan includes another loan obtained from Laxmi Sunrise Bank which is secured as charge by way of hypothecation on Land and Building of company's corporate office situated at Kathmandu.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
2-3 Years	30,000,000	30,000,000
4-5 Years	30,000,000	30,000,000
5-10 Years	4,659,280	19,659,280
Total	**64,659,280**	**79,659,280**

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

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	17,551,648	920,962	18,472,610
Dividend Payable	66,607,610	-	61,763,477	-
Statutory dues	3,749,594	-	3,571,015	-
Gratuity Payable	-	-	-	-
VAT Payable (Net)	66,681	-	189,508	-
Welfare Fund Clearing Account	4,215,576	-	3,644,531	-
Bonus payable	12,070,933	-	20,857,671	-
Total	**87,631,356**	**17,551,648**	**90,947,164**	**18,472,610**

a) As per the provision of new Labor Act enacted and effective from 19th Bhadra, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution for gratuity has been deposited to Citizen Investment Trust (CIT) and are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions.

Note no: 21
Other Financial Liabilities

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	11,075,372	-	9,497,611	-
Refundable Deposits of Parties	2,368,388	-	2,371,062	-
Retention Payable	5,583,878	-	5,206,733	-
Royalty Payable	6,311,347	-	6,302,765	-
Other Payable	2,909,011	-	5,298,809	-
Total	**28,247,996**	**-**	**28,676,980**	**-**

Note no: 22
Provisions (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Provision for leave encashment	1,538,249	22,106,990	3,865,533	20,907,155
Provision for Doubtful Debt	-	185,000,000	-	195,000,000
Total	**1,538,249**	**207,106,990**	**3,865,533**	**215,907,155**

Note no: 23
Revenue

Figures in NPR

Particulars	2080-81	2079-80
Electricity Sale to NEA		
Electricity Sale	418,881,396	470,216,042
Short supply charges	-	(903,719)
	418,881,396	**469,312,323**
Electricity Sale to Consumers		
Metered Consumers	222,168,760	202,450,588
Unmetered Consumers	120,244	368,798
Industrial Consumers	60,912,881	58,140,462
UO Rebate	(14,246,871)	(13,429,535)
	268,955,014	**247,530,313**
Electricity Services		
Fee and Charges	1,343,708	1,570,994
Sale of Meter/Cutout & Accessories	4,460,673	6,003,095
	5,804,381	**7,574,089**
Total	**693,640,791**	**724,416,725**

Note no: 24
Generation Expenses

Figures in NPR

Particulars	2080-81	2079-80
Electricity Purchase	52,337,458	33,790,134
Salaries and other employee cost	57,300,441	56,657,464
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	-
Contribution to Provident and Gratuity Fund	5,215,561	4,564,844
Staff Bonus	4,181,272	5,422,515
Environment, Community & Mitigation	16,161,142	16,442,696
Donation expenses	538,800	608,900
Repair and Maintenance	27,102,116	38,809,920
Vehicle running cost*	419,350	744,219
Depreciation	2,583,470	2,582,278
Amortisation of Intangible Assets - SCA	60,009,194	59,288,881
Royalty	55,641,088	60,479,188
Insurance	11,348,480	11,506,080
Safety and Security	4,605,130	3,872,398
Bad Debts	-	-
Assets written off	45,509	91,917
Miscellaneous Expenses	7,566,136	8,728,774
Total	**305,055,147**	**303,590,208**

Note no: 25
Distribution Expenses

Figures in NPR

Particulars	2080-81	2079-80
Cost of sale of Meter/Cutout & Accessories	2,854,123	3,565,295
Salaries and other employee cost	46,930,877	45,162,815
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	-
Contribution to Provident and Gratuity Fund	4,645,384	4,145,287
Staff Bonus	3,654,429	7,881,642
Environment, Community & Mitigation	16,810	-
Donation expenses	19,200	21,600
Repair and Maintenance	9,579,108	11,543,163
Vehicle running cost	1,518,226	1,603,227
Depreciation	1,778,495	1,830,121
Amortisation of Intangible Assets - SCA	24,422,162	23,092,654
Royalty	28,320,189	26,095,984
Insurance	618,003	693,456
Safety and Security	799,345	799,345
Bad Debts	-	-
Assets written off	32,790	109,081
Miscellaneous Expenses	11,543,650	12,025,543
Total	**136,732,791**	**138,569,213**

Note no: 26
Administrative and other operating expenses

Figures in NPR

Particulars	2080-81	2079-80
Salaries and other employee cost	60,276,596	59,740,984
Mutually Agreed Retirement Scheme [Refer Note no. 2.13]	-	-
Contribution to Provident and Gratuity Fund	5,149,028	4,742,140
Staff Bonus	4,235,232	7,621,074
Staff Welfare	3,359,196	2,947,374
Advertisement and business promotion	991,355	543,258
AGM and Board Expenses	3,558,336	4,625,890
Audit Fee and Expenses	1,621,008	2,915,508
Communication Expenses	2,344,206	2,374,332
Depreciation and amortisation	14,960,785	16,132,091
Environment, Community & Mitigation	9,450	208,580
Gift and Donation	964,194	368,882
Hospitality and Refreshment	200,677	301,055
Insurance	1,407,751	1,632,081
Safety and Security	2,398,034	2,403,034
Legal and professional Expenses	3,259,280	3,970,652
Office running cost	5,159,276	5,053,441
Printing and Stationery	1,663,412	1,894,633
Rates and Taxes	612,945	731,359

Figures in NPR

Particulars	2080-81	2079-80
Rent	-	-
Repair and Maintenance	6,651,385	5,540,580
Training and Development	466,950	521,907
Travelling expenses	2,239,801	961,028
Vehicle running cost	677,951	889,401
Bad Debts	-	-
Assets Written off	44,089	110,249
Equity Investment written off	-	-
Miscellaneous Expenses	9,742,944	7,618,628
Overhead Charged to Projects	(7,141,939)	(7,061,504)
Total	**124,851,942**	**126,786,657**

**BPC has a system of charging its employees for any personal use of its vehicles and deducting such amount from corresponding expenses.

a. Detail of Audit Fee and related expenses

Particulars	2080-81	2079-80
External Audit	497,200	474,600
Other assurance services (includes out of pocket expenses of external audit)	107,445	285,080
Internal Audit (including out of pocket expenses)	684,880	572,926
ISO Audit	331,483	1,582,902
Total	**1,621,008**	**2,915,508**

Note no: 27
Allowance for Expected credit loss

Figures in NPR

Particulars	2080-81	2079-80
Gurans Energy Limited	7,230,000	135,700,323
Kabeli Energy Limited	2,770,000	131,396,626
Receivables from Harish Chandra Shah	-	185,000,000
Receivables from SC Power Company Pvt. Ltd.	-	10,000,000
Total	**10,000,000**	**462,096,949**

**Allowances for expected Credit loss has been provided for amounts provided for Advances towards share of Kabeli Energy Limited for NPR 2,770,000 and of Gurans Energy Limited for NPR 7,230,000 (Refer Note 6)

Note no: 28
Other Income

Figures in NPR

Particulars	2080-81	2079-80
Dividend income	27,889,400	44,165,000
Income from Other Sources	37,220,788	11,908,678
Provision for Impairment loss on Investment written back	17,860,259	512,728,738
House Rent	17,842,435	19,298,658
Store Services	-	-
Equipment on Hire	-	-
Other General Services	-	-
Gain / (Loss) on disposal of assets and inventories	-	3,214,349
Insurance Claim received on Loss of Assets	15,165	142,130
Foreign Currency Exchange Gain/(Loss)	69,443	118,081
Total	**100,897,490**	**591,575,634**

Provision for Impairment loss on Investment written back comprises amount of Impiarment reversed for Kabeli Energy Limited and SC Power Company Pvt. Ltd. for amount of NPR 7,860,259 and NPR 10,000,000.

a. Detail of Dividend income

Name of Company	2080-81	2079-80
Khudi Hydropower Limited-Preference Shares	15,868,800	27,360,000
Hydro-Consult Engineering Limited	10,070,600	15,000,000
BPC Services Limited	950,000	950,000
Nepal Power Exchange Ltd.	1,000,000	855,000
Total	**27,889,400**	**44,165,000**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2080-81	2079-80
- On account of term loan with IFC		
- On account od disposal of assests and inventories	-	-
- On account of Revaluation of different foreign currency bank accounts	69,443	118,081
- On account of MM Project	-	-
Total	**69,443**	**118,081**

Note no: 29
Finance income

Figures in NPR

Particulars	2080-81	2079-80
Interest income	46,816,597	103,466,812
Total	**46,816,597**	**103,466,812**

Note no: 30
Finance Costs

Figures in NPR

Particulars	2080-81	2079-80
Interest Expenses	12,716,138	11,349,926
Bank Charges	309,327	117,071
Total	**13,025,465**	**11,466,997**

Note: 31
EARNINGS PER SHARE

Figures in NPR

EARNINGS PER SHARE	2080-81	2079-80
Profit for the year	193,987,369	305,070,673
Weighted average number of equity shares outstanding	34,090,646	34,090,646
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2077-78 Restated]"	**5.69**	**8.95**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	34,090,646	34,090,646
"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2077-78 Restated]"	**5.69**	**8.95**

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

Figures in NPR

Particulars	2080-81	2079-80
Employee benefit expenses		
Salary	86,360,007	78,387,941
Allowances	63,911,997	69,904,748
Provident Fund	8,318,464	7,454,435
Gratuity	6,714,931	6,011,985
Insurance	865,876	973,413
Leave Encashment	13,346,612	12,281,012
Staff Welfare	3,359,196	2,947,374
Staff Bonus	12,070,933	20,925,231
Total	**194,948,016**	**198,886,139**

Depreciation and Amortisation

Figures in NPR

Particulars	2080-81	2079-80
Depreciation of Property, Plant and Equipment	18,984,413	20,206,154
Amortization of Intangibles Asset - Software	324,800	324,800
Amortization of Intangibles Asset - Service Concession Arrangement	84,444,892	82,395,072
Less: Depreciation being Revenue Portion of Grant Aid	(7,900,117)	(7,900,117)
Total	**95,853,988.00**	**95,025,909**

Note no: 33
Financial Instruments: Classifications and fair value measurements
A. Fair value measurements

Figures in NPR

Particulars	Fair value		" Fair value hierachy "	" Valuation technique(s) and key input(s)"
	As at 31st Ashadh 2081	As at 31st Ashadh 2080		
Financial assets :				
Investment in equity instruments of Himal Power Limited	740,282,587	759,512,872	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Investment in equity instruments of Hydro Lab (P) Limited	40,573,039	34,052,484	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Note no: 34
RELATED PARTY DISCLOSURES

(a) Relationship
The company is controlled by Shangri-La Energy Ltd which owns 56.30% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Subsidiaries	Nepal Hydro & Electric Ltd.
	Khudi Hydropower Limited
	BPC Services Limited
	Nyadi Hydropower Limited
	Gurans Energy Limited
	Hydro-Consult Engineering Limited
Associates	Manang Marshyangdi Hydropower Company Pvt. Ltd.
	Kabeli Energy Limited
	S.C.I.G International Nepal Hydro Joint Development Company Pvt. Ltd
	Himtal Hydropower Company Pvt. Ltd.
	Marsyangdi Transmission Company Pvt. Ltd.

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Raju Maharjan	Director
vi) Mrs Bina Rana	Director
vii) Mr.Tirtha Man Shakya	Director
viii) Mr. Bijay Bahadur Shrestha	Alt. Director
ix) Mr. Sanjib Rajbhandari	Alt. Director

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

Figures in NPR

Nature of Expense	Current year	Previous year
Meeting Allowances	1,360,000	1,950,000
Telephone, Mobile and Newspaper / Magazines	1,152,000	1,307,250

(c) Transactions with key management personnel

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Short-term employee benefits	9,724,271	10,093,864
	9,724,271	10,093,864

(d) Other related party transactions

Figures in NPR

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	447,480	596,640		-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	-		-
Beltron Trading Pvt. Ltd.	Electrical items purchase	82,422	252,382		-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	10,136,893	16,029,739	(1,031,414)	(1,262,768)
	Reimbursement of rent and utilities	14,645	-	-	-
Khudi Hydropower Limited	Advance given	-	2,349,617	-	-
	Reimbursement of rent and utilities	439,018	-	151,209	-
	Dividend Receivable	15,868,800	16,705,060		
BPC Services Limited	Reimbursement of rent and utilities	76,249	72,066		-
	Purchase	-	-		-
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	1,082,637	1,031,440		1,031,440
	Disbursement of convertible loan	-	62,500,000		-
Hydro-Consult Engineering Limited	Purchase	1,598,114	11,063,310		-
	Reimbursement of rent and utilities	6,125,073	5,528,633		-
Kabeli Energy Limited	Reimbursement of rent and utilities	256,597	727,115		727,115

Note : 35
Contingent Liabilities and commitments

A. Corporate Guarantee

Figures in NPR

S.no.	Party Name	Purpose	Amount	"Expiry Date (A.D.)"
1	Nepal Investment Mega Bank Ltd.	Khudi Hydro's OD and Bridge gap loan	33,530,400	Till repayment.
2	Sanima Bank Limited	For PDA of MM	50,000,000	4/20/2025
3	Laxmi Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	135,000,000	3/18/2026
4	Laxmi Sunrise Bank Limited	To NEA for PPA of 139.2 MW LMMHEP	139,200,000	10/13/2028
5	Laxmi Sunrise Bank Limited	To NEA for bidding of 10 MW Jhimruk Solar Power Project	10,000,000	4/3/2025
6	Kuamri Bank Limited	For Financial Closure of Kabeli-A Project	4,510,000,000	Till repayment.
7	Everest Bank Limited	For obtaining additional loan borrowed by Nyadi Hydropower Limited	550,000,000	Until NHL commenc-es delivery of power.

Royalty and Tax exemption regarding additional 4.3 MW project in Andhikhola

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 48.45 million considering the period since commencement date till Ashadh end 2080. DoED has claimed the royalty for newly added 4.3MW project at Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to BPC. As of 16th July 2024, NEA has deducted NRs 40,708,233.91 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements."

C. Capital Commitments

"i. 37.6-MW Kabeli-A Hydropower Project (KAHEP)
BPC's part of capital commitment on this project is NPR 1,805 million for overall 60% shareholding (including indirect holding through Gurans Energy Limited) considering debt equity ratio at 60:40, of which BPC has invested overall NPR 1277.91 million (including investment through Gurans Energy Limited) as on reporting date. The total project cost is estimated at Rs. 7520 million. Construction of the project has been re-started and overall physical progress of around 35% has been acheived. The Financial Closure was acheived on December 1 2023."

"ii. 30-MW Nyadi Hydropower Project (NHP)
NHP (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). BPC, General Public and Lamjung Electric Development Company (LEDCO) own 71.68%, 27% and 1.32% of NHL shares respectively. Construction of civil works, HM works, EM and transmission lines are completed as on reporting date and COD of the project has been declared effective from 12:00 noon, Baisakh 27, 2079 (May 11, 2022). BPC's part of capital commitment on this project is NPR 1,075 million and invested fully total committed amount. BPC has also provided short term loan of Rs. 150 million as on reporting date."

"iii. 139.2-MW Lower Manang Marsyangdi Hydropower Project (M2)
BPC has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC

of Manang District. NPR.239.40 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.2 MW under PROR. Supplementary EIA has been approved by Ministry of Forest and Environment (MOFE) and SPV formation is under process at Department of Industry (DOI). The PPA is already signed with NEA. BPC's part of capital commitment on this project is NPR 1188 million for 19.40% shareholding."

"iv. 7.9 -MW Chino Khola Hydropower Project

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study of the project is completed and the project capacity has been optimized to 7.9 MW at Q40. EIA study was completed and approved by the Ministry of Forest and Environment. Generation License has been received for 35 years effective from Ashadh 20, 2079 (July 04, 2022). The draft PPA document has been initialized with NEA.Purchase of private land for permanent structures has completed. The financial closure and PPA timeline under Generation License has been extended for one year from Ashadh 20, 2081.NPR.40.35 million has been spent by the company for this project as on reporting date. BPC's part of capital commitment on this project is NPR 276.5 million for 70% shareholding."

"v. 160 MW Mugu Karnali Hydropower Project

BPC has got survey license for Mugu Karnali Hydropower Project on November 23, 2017 with an estimated project capacity of 160 MW. The project is located near Gamgadhi, Mugu district. Process for EIA is pending due to pending approval of project capacity by MOEWRI.The process of survey license amendment at 174 MW is still pending at DOED. NPR.85.81 million has been spent by the company for this project as on reporting date. This project being an initial stage has not yet been concluded for capital commitment."

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

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. BPC's part of capital commitment on this project is NPR 430 million for 20% shareholding, of which BPC has invested NPR 187.5 million as on reporting date."

"vii. 135 MW Manang Marsyangdi Hydro-electric Project (MMHEP)

MMHEP is located on the Marsyangdi River in Manang District of Gandaki Province of Nepal. The project area is located within the Annapurna Conservation Area (ACAP). BPC owns 22.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and PPA with NEA for 135 MW has been signed. The government land replacement has been completed by purchasing private lands.The process of financial closure is ongoing with the China EXIM Bank and the term sheet has already been signed.EPC Contractor is working at the site for construction preparation. BPC's part of capital commitment on this project is NPR 1,152 million for 19.40% shareholding as 80.60% of the total shares to be owned by SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 480.75 million for this project as on reporting date. "

"viii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (UM2HEP)

UM2HEP is high head PROR type project located along the Marsyangdi River in Manang and Lamjung Districts of Gandaki Province of Nepal. The project area is located within the Annapurna Conservation Area (ACAP). BPC has acquired 19.40% shares of Himtal Hydropower Company Pvt. Ltd. (Himtal), a SPV of UM2HEP, on 30th December 2018.DPR approval process at IBN has been completed. The PDA negotiation committee has already been formed at IBN.The Connection Agreement has already been signed with NEA .BPC's part of capital commitment on this project is NPR 2,791 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 789.70 million for this project as on reporting date."

ix"ix. Marsyangdi Transmission Project (MTP)

BPC has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by UM2HEP. Its Share transfer to BPC has been completed by 24th May 2019. 80.60% of the total shares are acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 10.34 million for this project as on reporting date"

"x. 7 MW Solar Power Project at Jhimruk Area
The Company has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7MW Solar Power Project (SPP) at total estimated project cost of Rs. 600 million and application IEE approval has been achieved, and amendment of survey license is done. company has revised its survey license from 7 MW to 10 MW and also submiited the tariff-based bidding for Jhimruk Solar Project with NEA. However, due to being the initial stage, capital commitment has not yet been made for this project. "

"xi. Nepal Power Exchange Limited (NEPEX)
BPC has invested Rs. 20 million in the shares of NEPEX established by IPP for cross border power trade as on reporting date and commited total Rs. 200 million (10%) of its share capital amount Rs, 2,000 million."

Note 36
Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2081

Figures in NPR

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	316,051,110	102,830,286	67,766,430	206,992,965	-	693,640,791
Cost of Sales						
Generation Expenses	(152,689,676)	(152,365,470)	-	-	-	(305,055,146)
Distribution Expenses	-	-	(43,333,483)	(93,399,307)	-	(136,732,790)
Gross profit	163,361,434	(49,535,184)	24,432,947	113,593,658	-	251,852,855
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,954,164	4,453,182	-	7,900,117
Other income	150,318	143,947	1,910,650	3,269,369	95,423,206	100,897,490
Administrative and other operating expenses	(47,181,549)	(15,369,274)	(10,400,167)	(31,375,293)	(20,525,659)	(124,851,942)
Impairment loss on investment	-	-	-	-	(10,000,000)	(10,000,000)
Profit from Operation	116,563,122	(64,500,659)	18,897,594	89,940,916	64,897,547	225,798,520
Finance Income	16,150	26,124	72,095	18,222	46,684,006	46,816,597
Finance Costs	-	-	(781)	(290)	(13,024,394)	(13,025,465)
Profit Before Tax	**116,579,272**	**(64,474,535)**	**18,968,908**	**89,958,848**	**98,557,159**	**259,589,652**
Inter departmental electricity sales/(purchase)	51,511,485	207,200,529.11	(51,511,485)	(207,200,529)	-	-
	168,090,757	**142,725,994**	**(32,542,577)**	**(117,241,681)**	**98,557,159**	**259,589,652**

Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2080

Figures in NPR

Particulars	Generation Jhimruk	Generation Andhikhola	Distribtion Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	349,828,488	119,483,834	62,884,487	192,219,916	-	724,416,725
Cost of Sales						
Generation Expenses	(158,269,708)	(145,320,500)	-	-	-	(303,590,208)
Distribution Expenses	-	-	(47,135,868)	(91,433,342)	-	(138,569,210)
Gross profit	**191,558,780**	**(25,836,666)**	**15,748,619**	**100,786,574**	**-**	**282,257,307**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,954,164	4,453,182	-	7,900,117
Other income	283,240	779,564	1,848,388	3,626,960	585,037,482	591,575,634
Administrative and other operating expenses	(23,431,338)	(8,048,666)	(4,332,268)	(13,107,114)	(77,867,271)	(126,786,658)
Impairment loss on investment	-	-	-	-	(462,096,949)	(462,096,949)
Profit from Operation	**168,643,601**	**(32,845,916)**	**16,218,903**	**95,759,602**	**45,073,262**	**292,849,451**
Finance Income	-	34,416	122,144	33,763	103,276,489	103,466,812
Finance Costs	-	-	(178)	(245)	(11,466,574)	(11,466,997)
Profit Before Tax	**168,643,601**	**(32,811,500)**	**16,340,869**	**95,793,120**	**136,883,177**	**384,849,266**
Inter departmental elec-tricity sales/(purchase)	46,895,519	190,760,345	(46,895,519)	(190,760,345)	-	-
	215,539,120	**157,948,845**	**(30,554,650)**	**(94,967,225)**	**136,883,177**	**384,849,266**

Note 37
CSR expenses as per Industrial Enterprises Act 2076

New Industrial Enterprises Act 2076 (the "Act") has been introduced with effect from Mangshir 28, 2076 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the “CSR Requirement”). The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors, that are prescribed under the Act. In current year, the Company has incurred Rs.16,187,402 on "Environment, Community & Mitigation" and allocated budget Rs. 23.40 million for FY 2080/81 to meet CSR requirement, which is more than to the required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

Note 38
Components of Cash and Cash Equivalents for the purpose of Cashfow

Figures in NPR

	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Cash at banks and on hand	30,971,263	64,179,003
Short-term loan	(30,000,000)	-
	971,263	**64,179,003**

iLight the future

BUTWAL POWER COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

2023-2024

JOSHI & BHANDARY ▪ Chartered Accountants

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INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying C**onsolidated Financial Statements of Butwal Power Company Limited (the Company or "BPCL")** and its subsidiaries (together referred to as "the Group') which comprise the Consolidated Statement of Financial Position (SoFP) as at Ashad 31, 2081 (corresponding to July 15, 2024), the Consolidated Statement of Profit and Loss and Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies.

In our opinion and to the best of our information and explanations provided to us, the accompanying Consolidated Financial Statement referred to above present fairly, in all material respects, the financial position of the Group as at Ashad 31, 2081 [i.e., July 15, 2024] and its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

BASIS OF OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements Section of our report. We are independent of the Group in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We also draw attention to Note 2.1.iv Basis of Consolidation (Limitation on consolidation during the year) of the Financial Statements. The audited financial statements of subsidiary Nepal Hydro & Electric Limited (NHE) and Kabeli Energy Limited (KEL) were not made available to the management of the Company on timely basis. This delay has created a notable challenge in the consolidation process for the Group's financials, particularly in the context of restated Financial Statements.

Our opinion is not modified in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended Ashad 31, 2081. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">New Nepal Financial Reporting Standards which are not specifically applicable for the current reporting period as per the pronouncement of Institute of Chartered Accountants of Nepal (ICAN) are not adopted by the Company</td></tr>
<tr><td>BPC has opted not to adopt any of the new set of NFRS pronounced by ICAN, which are mandatory and might relate to it, but not specifically applicable considering the nature of its business and transactions for the financial year 2080-81 (2023-24). These standards include:
• NFRS 14 "Regulatory Deferral Accounts"
• NFRS 16 "Leases",
• NFRS 17"Insurance Contracts"
• NAS 29 "Financial Reporting in Hyperinflationary Economies".</td><td>We discussed with the management and those charged with governance regarding the non-adoption of new NFRS for the current reporting period. We also evaluated the effect on financial position of the company due to non-adoption with each of the new NFRS's which are mandatory for current reporting period as pronounced by ICAN considering the nature of business executed by the company. Based on our evaluation considering the transaction and account balances, we determined that overall impact on the financial position and profitability of the company due to non-adoption of new NFRS won't be significant.

Those charged with governance of the company as well as management have committed to adopt all applicable NFRSs from next year despite the effect of such adoption on financial statement not being significant.

Considering the circumstances, we have concluded that the exception noted are not significant.</td></tr>
<tr><td colspan="2">Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 14 "Other Financial Assets" and Note 33D "Contingent Liabilities and Commitments" of the financial statements).</td></tr>
<tr><td>BPCL has entered into a separate Power Purchase Agreement for a new project at Andhikhola with a Commercial Operation Date on April 05, 2015, increasing its then existing capacity of 5.1 MW to 9.4 MW. The company has considered the additional 4.3 MW project at Andhikhola as a new project on the basis of a separate/new PPA agreement and has calculated and paid royalty to the Department of Electricity Development (DoED) at the rate applicable for a new project i.e., NPR 100 per KW of the installed capacity and 2% of revenue from sale of electricity. However, DoED has considered the project as an upgrade of the original project has demanded royalty applicable for an ongoing project i.e., NPR 1,000 per KW of installed capacity and 10% of revenue from sale of electricity which is under dispute and under consideration at the Supreme Court of Nepal as a writ petition.

Also, DoED, through its direct instruction to Nepal Electricity Authority (NEA), has already recovered the amount from the receivable of the company from NEA from sale of electricity made. Total disputed royalty payment withheld by NEA on behalf of DoED as of Asadh 31, 2081 amounted to NPR 40,708,234 (PY 40,238,306) and the amount thus deducted is accounted for and reported as receivable from DoED reflected under Note 14 recovery of which depends upon the outcome of the court ruling.</td><td>Our audit procedures included, but were not limited to, the following:
We understood the basis taken by the company while taking a call that the additional 4.3 MW Project is a new project.

We have evaluated the design and operation controls in relation to compliance with applicable laws and regulations.

We collected and reviewed the summary of litigation documents provided by management and held discussion with those charge with governance.

In respect to provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/contingent liability assessment, we reviewed the assumptions against third party data (wherever applicable) and assessed the estimates against the historical trends.

We considered management's judgment on the level of provisions/recognition of contingent liability as appropriate.</td></tr>
</table>

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2080/81 (FY 2023/24) together with the Consolidated Financial Statements. Our opinion on the Consolidated Financial Statements does not cover other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

This report is expected to be made available to us after the date of our auditor's report. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work, we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as on the date of issuance of this report.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The company's management is responsible for the preparation and fair presentation of these consolidated financial statements. In accordance with NFRSs that is also described under Notes to account and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or subsidiaries, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entity (namely BPCL) of which we are the independent auditor and whose financial information we have audited, to express an opinion on the Consolidated Financial Statement. We are responsible for the direction, supervision, and performance of the audit of the financial statements of the entity (BPCL) included in the consolidated financial statement of which we are the independent auditors. For entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors shall remain responsible for the direction, supervision and performance of the audit carried out by them. We remain solely responsible for our audit opinion.

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

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

OTHER MATTERS

We did not audit the financial statements and other financial information of the subsidiaries and associates of the Company whose financial statements reflect total assets of NPR 1,368.77 Crore as at Asadh 31, 2081, total revenue of NPR 117.43 Crore and Net cash inflow of NPR (19.44) Crore for the year ended on that date. These financial statements and other financial information have been audited by other auditors, of which financial statement, other financial information and the auditor's report have been furnished to us by the management. Our opinion on the consolidated financial Statement is, so far as it relates to these subsidiaries, associates and joint ventures, and is based solely on the reports of such auditors. The accompanying consolidated financial statements also includes unaudited financial statements and other unaudited financial information in respect of one of the subsidiaries namely Nepal Hydro Electric Limited (NHE), whose financial statements reflects total assets of NPR 144.69 Crore as at Asadh 31, 2081, total revenue of NPR 146.78 Crore and Net cash outflow of NPR 3.49 Crore for the year ended on that date, and Kabeli Energy Limited (KEL) whose financial statement reflects total assets of NPR 280.15 Crore as of Ashadh 31st 2081, total revenue of Nil and Net cash inflow of NPR 3.01 Crore for the year ended on that date, and unaudited financial statement and unaudited financial information in respect of 4 associates and 21 joint venture which reflect Groups' share of net loss of NPR 1.52 Crore.

Other Equity of the financial statement includes Share Premium account with a balance of Rs. 1,753 million raised through equity shares issued to public at premium in FY 2074/75 and auction of right shares in earlier years. As explained, the company has no intension of distributing bonus shares out of such Share Premium Balance in near future even though same can be used for distribution of bonus share as per Companies' Act. If the company decides to utilize same and distribute as bonus in future, corporate income tax under section 56 (3) of Income-tax Act shall be applicable at that time and distribution thereof.

Our opinion on the Consolidated Financial Statements is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As per the Companies Act 2063, based on our audit carried out on a sampling basis, we report that, in our opinion:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept by the Company as far as it appears from our examination of such books;
3. The Consolidated Statement of Financial Position (SoFP) as at Ashad 31, 2081 [corresponding to July 15, 2024], the Consolidated Statement of Profit and Loss and Consolidated Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company;
4. To the best of our knowledge and in accordance with explanations given to us, the business of the Company has been conducted satisfactorily; and
5. To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Company and its subsidiary, we have not come across cases where Board of Directors or any employees of the Company and its subsidiary, have acted contrary to the provisions of law or committed any misappropriation relating to the accounts or caused loss or damage to the Group or acted in a manner to jeopardize the interest and security of the Company and its subsidiary deliberately.
6. Our suggestions for improvement in the Company's internal controls and accounting system have been presented in a separate management letter.

DILLIBAZAR, KATHMANDU
DATE: POUSH 03, 2081
UDIN - 241219CA00106DYXV3

MANMOHAN RAJ KAFLE, FCA
EXECUTIVE PARTNER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	As at 31st Ashadh 2081	As at 31st Ashadh 2080
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	448,087,670	429,539,374
Capital work-in-progress	3	24,486,797	26,396,327
Right-of-use assets	3	7,957,793	11,354,528
Intangible assets	4	7,834,871,956	8,123,054,824
Intangible assets under development	5	2,426,129,390	-
Project work-in-progress	7	369,284,445	346,166,594
Financial assets			
Investment in associates and joint ventures	8	1,503,359,703	1,594,229,371
Other investments	9	826,083,626	819,893,356
Trade receivables	13	237,156,863	39,214,920
Other financial assets	14	105,338,260	118,899,798
Deferred tax assets	6	15,564,838	15,108,638
Other non-current assets	15	-	-
Total Non-Current Assets		**13,798,321,341**	**11,523,857,730**
Current Assets			
Inventories	10	147,298,480	110,698,211
Financial assets			
Trade receivables	13	716,572,607	654,869,350
Cash and cash equivalents	11	172,219,748	197,872,771
Bank balance other than cash and cash equivalents	12	75,488,709	106,854,595
Other financial assets	14	372,202,729	899,402,109
Other current assets	15	452,238,070	148,631,802
Current tax assets (net)	6C	124,309,538	81,811,343
Total Current Assets		**2,060,329,881**	**2,200,140,181**
Total Assets		**15,858,651,222**	**13,723,997,911**
EQUITY AND LIABILITIES			
Equity			
Equity	16	3,409,064,600	3,409,064,600
Other Equity	17	3,646,073,028	3,180,739,972
Non-controlling interest	34	468,180,197	504,740,733
Total Equity		**7,523,317,825**	**7,094,545,305**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	18	167,248,316	175,148,433
Financial liabilities			
Borrowings	21	4,611,902,900	4,600,970,567
Other financial liabilities	22	907,488,014	200,704,795
Provisions	19	64,931,508	62,285,854

	Note	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Deferred tax liabilities	6	179,525,370	178,968,606
Other non-current liabilities	23	21,522,321	27,512,063
Total Non-Current Liabilities		**5,952,618,429**	**5,245,590,318**
Current Liabilities			
Financial liabilities			
Borrowings	21	1,394,381,949	494,747,988
Trade payables	20	170,491,271	98,059,581
Other financial liabilities	22	249,710,084	327,191,787
Provisions	19	21,980,843	23,664,782
Other current liabilities	23	546,150,821	440,198,150
Current tax liabilities (net)	6D	-	-
Total Current Liabilities		**2,382,714,968**	**1,383,862,288**
		8,335,333,397	**6,629,452,606**
Total Equity and Liabilities		**15,858,651,222**	**13,723,997,911**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: December 18, 2024 (Poush 03, 2081)
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	2080-81	2079-80
Revenue	24	2,990,335,251	2,391,919,647
Cost of Sales	25	(2,235,725,602)	(1,589,950,016)
Gross profit		**754,609,649**	**801,969,631**
Depreciation Being Revenue Portion of Grant Aid	18	7,900,117	7,900,117
Other income	27	100,743,426	53,904,232
Provision for Impairment loss written back	27	10,026,994	513,156,391
Allowance for Expected Credit loss	27A	-	(462,096,949)
Administrative and other operating expenses	26	(272,296,158)	(273,799,461)
Profit from Operation		**600,984,028**	**641,033,961**
Finance Income	28	55,482,687	116,394,742
Finance Costs	29	(482,545,804)	(509,598,562)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**173,920,911**	**247,830,141**
Share of (loss) / profit of associates and joint ventures (net) under equity method		15,171,567	(188,060,847)
Profit / (Loss) Transferred from JVs		-	-
Gain on Bargain Purchase arising out of acquisition of subsidiaries		195,121,995	-
Impairment loss on investment		-	-
Provision for Maintenance and debt service reserve account		**-**	**-**
Profit Before Tax		**384,214,473**	**59,769,294**
Income Tax Expense			
Current tax	6A	(76,089,261)	(72,791,123)
Deferred tax credit/charge	**6A**	**835,836**	**(19,196,495)**
Profit for the year		**308,961,048**	**(32,218,324)**
Attributable to:			
Owners of the parent		353,770,924	(5,301,362)
Non controlling interests		(44,809,876)	(26,916,962)
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment defined benefit plans		(2,461,641)	(6,754,401)
ii. Equity instruments through other comprehensive income		6,190,270	3,275,341
iii. Gain(Loss) on Disposal of investment in associates		400,283,548	-
iv. Income tax relating to items that will not be reclassified to profit or loss	6B	(932,157)	869,765
Other comprehensive income/(loss) for the year, net of tax			
Attributable to:		**403,080,020**	**(2,609,295)**
Owners of the parent		398,309,120	(142,290)

Figures in NPR

	Note	2080-81	2079-80
Non controlling interests		4,770,900	(2,467,005)
Total Comprehensive Income/(loss) for the year, net of tax		**712,041,068**	**(34,827,619)**
Attributable to:			
Owners of the parent		752,080,044	(5,443,652)
Non controlling interests		(40,038,976)	(29,383,967)
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	30	10.38	(0.16)
Diluted Earnings per share - Rs.	30	10.38	(0.16)

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

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Raju Maharjan
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Bina Rana
Director

Tirtha Man Shakya
Independent Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Date: December 18, 2024 (Poush 03, 2081)
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Note	2080-81	2079-80
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Tax		**157,150,568**	**287,050,393**
Adjustments for:			
Depreciation on property, plant and equipment		264,378,157	262,004,640
Amortization of Intangible Assets		101,115,419	99,130,953
Depreciation on Right-of-use Assets		4,571,610	4,571,610
Depreciation Being Revenue Portion of Grant Aid		(7,900,117)	(7,900,117)
Provision for employee benefits, CSR		(5,297,189)	574,337
Provision for Bonus		12,782,951	21,601,341
Adjustment for Reserves		-	-
Dividend income		-	-
Non cash finance income		-	-
Finance cost on lease liability		1,090,157	1,518,994
Assets written off		1,158,238	6,606,697
Write back of impairment allowance		(10,026,994)	(461,669,296)
Finance income		(54,619,685)	(116,098,556)
Impairment of Intangible asset		4,422,304	3,977,874
Finance cost		76,986,176	41,594,553
Loss/ (gain) on sale of Property, plant and equipment		(1,677,975)	(3,467,235)
Unrealized foreign exchange difference on cash and cash equivalents		(289,471)	(118,566)
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		(174,386,918)	(403,734,354)
(Increase)/ Decrease in other financial assets		(133,184,199)	185,017,483
(Increase)/ Decrease in other assets		(123,188,874)	2,834,904
(Increase)/ Decrease in Inventories		(36,600,268)	(11,854,321)
Increase / (Decrease) in trade payables		(1,973,631)	77,797,581
Increase / (Decrease) in financial liabilities		32,183,177	(186,142,535)
Increase / (Decrease) in other current liabilities		10,057,164	(26,413,781)
Cash generated from operations		**116,750,598**	**(223,117,402)**
Bonus paid		(21,629,934)	(15,321,068)
Income Tax Paid		(87,353,203)	(96,401,116)
NET CASH FLOWS FROM OPERATING ACTIVITIES (A)		**7,767,461**	**(334,839,586)**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		5,704,903	3,872,492
(Increase)/Decrease in Project work-in-progress		(24,871,245)	(32,215,235)
(Increase)/Decrease in Investment in Fixed Deposits		469,174,910	600,071,682
Interest Received		53,901,056	114,981,266
(Increase) / Decrease in Intangible Assets Under Development		(1,574,920,458)	-
Dividend income.		-	-
(Increase)/ Decrease Investment in Subsidiaries and Associates		(360,401,139)	(297,689,913)
(Increase)/ Decrease Investment in associates and joint ventures		-	-

	Note	2080-81	2079-80
(Increase)/ Decrease in Other Investments		-	(500,000)
Acquisition of Property, plant and Equipment		(57,235,418)	(24,936,393)
Purchase of Intangibles		(45,641,444)	(200,416,153)
Grant Aid received/ (refunded)		-	-
Bank balance other than cash and cash equivalents		24,152,508	-
NET CASH FLOWS FROM INVESTING ACTIVITIES (B)		**(1,510,136,327)**	**163,167,746**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further public offering (FPO)		-	-
Issue of right share		-	-
Equity from Shareholders		10,000,000	-
Advance against share capital		845,506,134	-
Share Issue Cost		(14,522,920)	-
Borrowing (repaid) / taken (net)		868,566,294	722,822,480
Finance Cost.		(57,135,291)	(30,244,627)
Increase in Margin Money		-	-
Overdraft for working capital (repaid)/taken		-	-
Payment of lease liabilities		(5,972,866)	(5,483,636)
Dividend paid		(200,888,229)	(298,407,294)
Interest paid		(12,716,138)	(11,349,926)
NET CASH FLOWS FROM FINANCING ACTIVITIES (C)		**1,432,836,985**	**377,336,997**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(69,531,882)**	**205,665,157**
Net foreign exchange difference on cash and cash equivalents		1,878,851	118,566
CASH AND CASH EQUIVALENTS, Beginning of Year		**197,872,771**	**(7,910,953)**
CASH AND CASH EQUIVALENTS, End of Period		**130,219,748**	**197,872,771**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

Uttar Kumar Shrestha
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Director

Tirtha Man Shakya
Independent Director

Date: December 18, 2024 (Poush 03, 2081)
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2081 (15 July 2024)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent							Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Actuary reserve	Total		
Balance at 1 Shrawan, 2079	**3,246,326,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**258,777,637**	**1,493,445,949**	**13,673,906**	**3,700,284,651**	**582,554,015**	**7,529,165,466**
Profit for the year	-	-	-	-	-	(5,301,362)		(5,301,362)	(26,916,962)	(32,218,324)
Other comprehensive Income:	-	-	-	-	(142,290)	-		(142,290)	(2,467,005)	(2,609,295)
Total comprehensive income	**-**	**-**	**-**	**-**	**(142,290)**	**(5,301,362)**		**(5,443,652)**	**(29,383,967)**	**(34,827,619)**
Issue of share in subsidiaries	-	-	-	-	-	-		-	-	-
Issue of right share	-	-	-	-	-	-		-	-	-
Issue of bonus share	162,737,800	-	-	-	-	(162,737,800)		(162,737,800)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-		-	-	-
Share Issue Cost	-	-	-	-	-	-		-	-	-
Dividends to shareholders	-	-	-	-	-	(245,117,274)		(245,117,274)	(16,330,000)	(261,447,274)
Transfer to Retained Earnings	-	-	-	-	-	-		-	-	-
Restatement of prior period errors						2,162,465		2,162,465	-	2,162,465
Adjustment during the year	-	-	-	-	6,991,278	(117,051,093)	1,651,397	(108,408,418)	(32,099,315)	(140,507,733)
Balance at 31st Ashadh, 2080	**3,409,064,600**	**1,767,535,318**	**18,151,841**	**148,700,000**	**265,626,625**	**965,400,885**	**15,325,303**	**3,180,739,972**	**504,740,733**	**7,094,545,305**
Profit for the year	-	-	-	-	-	353,770,924	-	353,770,924	(44,809,876)	308,961,048
Other comprehensive income	**-**	**-**	**-**	**-**	**398,309,120**	**-**	**-**	**398,309,120**	**4,770,900**	**403,080,020**

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent							Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Actuary reserve	Total		
Total comprehensive income	**-**	**-**	**-**	**-**	**398,309,120**	**353,770,924**	**-**	**752,080,044**	**(40,038,976)**	**712,041,068**
Issue of share in subsidiaries	-	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-	-	-	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-	-
Increase in NCI due to Acquisition of subsidiaries	-	-	-	-	-	-	-	-	4,161,696	4,161,696
Share Issue Cost	-	(14,522,920)	-	-	-	-	-	(14,522,920)	-	(14,522,920)
Dividends to shareholders	-	-	-	-	-	(171,743,617)	-	(171,743,617)	(9,471,400)	(181,215,017)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-	-
Restatement of prior period errors	-	-	-	-	-	-	-	-	-	-
Adjustment during the year	-	-	-	-	2,598,796	(98,013,446)	(5,065,801)	(100,480,451)	8,788,145	(91,692,307)
Balance at 31st Ashadh, 2081	**3,409,064,600**	**1,753,012,398**	**18,151,841**	**148,700,000**	**666,534,541**	**1,049,414,746**	**10,259,502**	**3,646,073,028**	**468,180,197**	**7,523,317,825**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

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

As per our report of even date

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Director

Tirtha Man Shakya
Independent Director

Date: December 18, 2024 (Poush 03, 2081)
Place: Kathmandu, Nepal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2081

Note 1: Background

The consolidated financial statements comprise financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (hereinafter referred to as "the Group") for the year ended 31st Ashadh 2081.

The Group's principal activities include the development of hydropower projects, providing consulting services, hydraulic modeling and operation and maintenance services to hydropower plants. The group has carried on business in Nepal and overseas and employs over 500 people. Information on the Group's structure is provided in Note 2.25.

The Company is a limited liability company incorporated and domiciled in Nepal. The address of its registered office is Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal. The Company's shares are listed on Nepal Stock Exchange (NEPSE) as BPCL.

The consolidated financial statements apply to the financial year ended 31st Ashadh 2081 (15th July 2024).

In the Consolidated financial statements, Butwal Power Company Limited has been referred to as "BPC" or "Company".

The accompanying consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Poush 03, 2081 (December 18, 2024) The Board of Directors acknowledges the responsibility of the preparation of consolidated financial statements.

Note 2: Significant accounting policies

2.1 BASIS OF PREPARATION AND MEASUREMENT

i. Statement of Compliance

The consolidated financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Consolidated financial statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

New Standards issued by ICAN which are applicable at 15th July 2024:

NFRS 9 "Financial Instruments" (Revised),
The Company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NFRS 9. Additional disclosures were made under Note 27 and Note 2.17

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

During the year, BPCL constructed a new infrastructure asset and identifies a performance obligation (operation and maintenance) under a service concession arrangement (contract) which includes transmission line upgrading, renovation

of distribution lines, etc. amounting to NPR 32,926,395 (Intangible asset during the year). The company has applied the intangible asset model to recognize the asset as per IFRIC 12 – Service concession arrangements.

Income from the concession arrangements earned under the intangible asset model consists of:

i) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and

ii) payments received from the users.

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred, considering the fair value of the amount transferred, therefore no adjustments were made to revenue and cost incurred. The amounts paid are set at market value.

NFRS 16 Leases: The new standard on lease is applicable from 16 July 2021 and it sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by earlier IAS 17 and instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. NFRS 16 substantially carries forward lessor accounting requirements in IAS 17. Accordingly, the company in the capacity of a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

New Standards issued by ICAN which are yet to be adopted at 15th July 2024:

BPC has not opted for the adoption of the new set of NFRS pronounced by ICAN, which may relate to it, but not specifically relevant to the company. These standards include:

NFRS 17 "Insurance Contracts" NFRS 17 would be effective from July 16, 2024 and early application is allowed. The effect of application of NFRS 17 is being studied and initial assessment is that our business would not be materially affected by NFRS 17.

NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, has not be adopted based and initial assessment is that our business would not be materially affected by NAS 29.

ii. Basis of preparation

The consolidated financial statements have been prepared on an accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle. Based on the nature of products and the time between the acquisition of assets for processing and their realization in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The consolidated financial statements is presented in the functional and presentation currency of the Group i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Group operates.

iii. Basis of measurement

These consolidated financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

iv. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashadh 2081. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The size of the Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to the same reporting date as that of the parent company, i.e., year ended on 32 Ashadh. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Limitation on consolidation during the year

The audited financial statements of Nepal Hydro & Electric Limited (NHE) a subsidiary company was not made available to the management of the Company so, in the current year, the consolidated financial statements include the financial information of NHE based on unaudited financial statements made available. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group have been consolidated based on the unaudited amounts of revenue and expenses, cash flows and changes in equity of NHE for the year. The consolidated statement of financial position of the group has consolidated assets, liabilities, and equity at amount equivalent to respective unaudited amounts of NHE.

Consolidation procedure:

(a) Combine items of assets, liabilities, equity, income, expenses, and cash flows of the parent with those of its subsidiaries. For this purpose, the income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

(d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full consolidation.

Investments in associates and joint ventures:

An associate is an entity over which the Group has significant influences but not control or joint control. This is generally the case where the Group holds between 20% to 50% of the voting rights or the Group has the power to participate in the financial and operating policy decision of the investee. Investments in an associate are accounted for using the equity method. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint ventures exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint ventures. An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. After the application of the equity method of accounting, the Group determines whether there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment in an associate or joint venture and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such objective evidence of impairment, then it is necessary to recognize impairment loss with respect to the Group's investment in an associate or joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. Distributions received from an associate or joint venture reduce the carrying amount of the investment. Unrealized gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in these entities. Unrealized losses are also eliminated unless the transactions provide evidence of an impairment of the assets transferred.

The investment in associates and joint ventures applying equity method are made based on unaudited financial statements of the company for the period ended Ashadh 31, 2081.

2.2 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less than any accumulated impairment losses. To impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The Group makes certain estimates and assumptions regarding future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily include: -

Useful life and residual value of property, plant, and equipment

Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

Impairment of property plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant, and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined based on discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact on the carrying value of assets.

Contingencies

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognized.

Fair value measurements

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third-party qualified valuers to perform the valuation as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Recognition of deferred tax assets

A significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

2.4 SERVICE CONCESSION ARRANGEMENTS

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and

(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement

(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC if the conditions in (a) above are met.

These arrangements are accounted based on below mentioned models depending on the nature of consideration and relevant contract law.

Financial asset model:
The Financial asset model is used when the Group, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

Intangible asset model:
The intangible asset model is used to the extent that the Group, being an operator, receives the right (the license) to charge users of the public service. A right to charge users of public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

Intangible Assets under Service Concession Arrangement (SCA)
The Group manages concession arrangements which include power supply from its three hydropower plants viz. 12 MW Jhimruk Power Plant, 9.4 MW Andhikhola Power Plant and 4MW Khudi Hydropower Plant. The Group maintains and services the infrastructure during the concession period. Further, the concession arrangement gives the Group right to use the hydropower project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under the intangible asset model is recognized in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Group, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Any asset carried under concession arrangements is derecognized on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola, 12 MW Jhimruk Hydro Power Plant and 4MW Khudi Hydropower Project for generation, transmission, and distribution shall be ended on Chaitra 2101 B.S., Chaitra 2102 B.S. and Chaitra 2096 B.S. respectively.

2.5 PROPERTY, PLANT, AND EQUIPMENT

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant, and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
ii. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
iii. The Group identifies and the determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
iv. The residual values, useful lives, and methods of depreciation of property, plants and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
v. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

vi. Assets during construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

2.6 OTHER INTANGIBLE ASSETS

i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.
ii. Certain computer software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.
iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized

2.7 DEPRECIATION AND AMORTIZATION

i. Depreciation is recognized to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives.
ii. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.
iii. Depreciation is provided on the written-down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on a pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

Category of asset	Estimated useful life	Depreciation Rate
Building	58-59 years	5%
Plant and Equipment	18 – 19 years	15%
Office equipment	10-11 years	25%
Furniture and fixtures	10-11 years	25%
Computers and accessories	10-11years	25%
Vehicles	13 – 14 years	20%

Computer software is amortized over an estimated useful life of 5 years on straight-line basis.

iv. Useful life is either the period during which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

The estimated useful life, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

v. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight-line basis.

2.8 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

for impairment at least annually, and whenever there is an indication that the asset may be impaired.

iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Loss.
v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the Statement of Profit and Loss.

2.9 BORROWING COST

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

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

2.10 CASH AND CASH EQUIVALENTS

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

2.11 INVENTORIES

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

2.12 REVENUE RECOGNITION

i) Sale of Electricity

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

ii) Revenue from consultancy contracts

Consultancy contract revenue and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the contract cannot be estimated reliably, revenue is recognized to the extent of the contract costs incurred if it is probable that they will be recoverable. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. The Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs. The estimated outcome of a contract is considered reliable when all the following conditions are satisfied:

i. The amount of revenue can be measured reliably,
ii. It is probable that the economic benefits associated with the contract will flow to the Group,
iii. The stage of completion of the contract at the end of the reporting period can be measured reliably, and
iv. The costs incurred or to be incurred in respect of the contract can be measured reliably.

Provision is made for all losses incurred to the balance sheet date. Variations in contract work, claims and incentive payments are recognized to the extent that it is probable that they will result in revenue, and they are capable of being reliably measured. Expected loss, if any, on a contract is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognized profits (or recognized losses, as the case may be), the surplus is shown as the amount due to customers.

iii) Other Electricity services

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

iv) Dividend and interest income

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

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

2.13 FOREIGN CURRENCY TRANSACTIONS

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

2.14 EMPLOYMENT BENEFITS

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

Defined contribution plan – Provident Fund

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

Defined benefit plan - Gratuity

As per the provision of the new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into a contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on a monthly basis to the separate Social Security Fund (SSF), however, deposited with Citizen Investment Trust (CIT) instead of contributions in SSF due to lack of clear and practical guidelines in this regard. Contribution to Gratuity funds is charged to the profit or loss statement in the year to which they relate as the group has no further defined obligations beyond monthly contributions. As of date, the group has set aside a net obligation amount as gratuity payable in current liabilities.

Short-term and long-term employment benefits

i. A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
ii. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

iii. Compensated absences, which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

2.15 TAXATION

Income Tax

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Group:
Income from Manufacturing and sale of electricity: 20% (2079/80: 20%)
Income from Other services: 25% (2079/80: 25%)

Deferred tax

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.
ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.16 EARNINGS PER SHARE

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted at the beginning of the period unless they have been issued at a later date.

2.17 PROVISIONS, CONTINGENCIES, AND COMMITMENTS

i. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
ii. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.
iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.
v. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable

cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize contingent liability but discloses its existence in the financial statements.

vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

2.18 FINANCIAL INSTRUMENTS

i. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognized in the statement of profit and loss. In the case of interest free or concession loans/debentures/preference shares given to subsidiaries and associates, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.

Investment in equity instruments issued by subsidiaries and associates are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investment in preference shares/debentures not meeting the aforesaid conditions are classified as debt instruments at amortized cost.

ii. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Income/ expense arising on financial instruments after applying an effective interest rate is recognized in the Statement of Profit and Loss and is included in the “Other finance income” or “Other finance cost” line item.

Financial assets

Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if these financial assets are held within a business model whose objective is to hold these assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group, in respect of equity investments (other than in subsidiaries and associates) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Group on an instrument-by-instrument basis at the time of initial recognition of such equity investments.

Financial assets not measured at amortized cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that have occurred since the initial recognition of the asset (an incurred 'loss event'), have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

De-recognition of financial assets

The Group de-recognizes a financial asset only when the contractual rights to the cash flow from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognized in the statement of profit or loss.

iii. Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method where the time value of money is significant. Interest-bearing bank loans, overdrafts, and issued debt are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

De-recognition of financial liability

Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

iv. Off-setting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

v. Fair Value measurement:
The Group measures financial instruments, such as investment in equity instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics, and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.19 LEASES

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee
A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

At the commencement date, the group shall recognize a right to use assets at cost and a lease liability at the present values of the lease payments that are not paid at that date. The lease payment shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the group shall use it's incremental borrowing rate.

After the commencement date, the group shall measure the right to use the asset by applying a cost model or measurement model. To apply a cost model, the group shall measure the right of use asset at cost less any depreciation and any accumulated impairment losses adjusted for remeasurement of lease liability as mentioned below.

After the commencement date, the group shall measure the lease liability by

(a) Increasing the carrying amount to reflect interest on the lease liability.

(b) Reducing the carrying amount to reflect the lease payments made; and

(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments

The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

The Group as lessor
A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance Lease
At the commencement date, a lessor shall recognize assets held under a finance lease in its Statement of Financial Position and present them as receivable at the amount equal to net investment in lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease., In case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the lease) to measure the net investment in the sublease.

A lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating Lease
A lessor shall recognize lease payments from operating leases as income either of straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefits from use of the underlying asset is diminished.

2.20 GOVERNMENT GRANTS AND GRANT AID IN RESERVE

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual installments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

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

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

2.21 NON-CURRENT ASSETS HELD FOR SALE

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale the non-current assets as held for sale within one year from the date of classification.

The criteria for held for sale classification is regarded as met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment, and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortized.

2.22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity, and credit risk, which may adversely impact the fair value of its financial instruments. The Group's Board and senior management has overall responsibility for the establishment and oversight of the Group's risk management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Risk Management is done by the Group's management that provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Group's policies and risk objectives.

The Board of Directors reviews and agrees on policies for managing each of these risks which are summarized below: -

a. Currency risk

The Group is subject to the risk that changes in foreign currency values impact on the Group's imports of inventories and property, plant and equipment. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Group's approach to the management of currency risk is to leave the Group with no material residual risk. This aim has been achieved in all the years presented. Since there is not a significant risk, management has not entered into any forward contract.

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NPR as at Ashadh 31, 2081 and Ashadh 31, 2080: -

b. Credit risk

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on. No amount has been recognized in the financial position as financial liabilities.

c. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations. Since the interest rate risk is influenced by market forces, the group has little role to play for minimizing this risk. The group has made a swap arrangement to minimize the interest rate risk associated with foreign currency. Further, the Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

d. Liquidity risk

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressful conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

Particulars	Currency	Ashadh 31, 2080	Ashadh 32, 2079
Cash and bank balance	NPR	20,011,273.68	8,554,570.67
	USD	150,054.59	65,217.43
Trade Receivables	NPR	29,334,462.44	39,128,404.00
	USD	219,964.48	298,303.00
Retention Money Payable	NPR	154,074,542.08	152,237,570.56
Retention Money Payable	USD	1,155,328.00	1,155,328.00

To control liquidity risk and for better working capital management, the Group has arranged an adequate level of OD facility for short-term financing. The Group's Finance department regularly monitors the cash position to ensure it has a sufficient cash ongoing basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest-bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

2.23 CAPITAL MANAGEMENT

For the Group’s capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Group. The Group manages its capital to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Group is based on management’s judgement of the appropriate balance of key elements to meet its strategic and day-to-day needs. It considers the amount of capital in proportion to risk and manages the capital structure considering changes in economic conditions and the risk characteristics of the underlying assets.

The Group’s aims to translate profitable growth to superior cash generation through efficient capital management.

The Group's policy is to maintain a stable and strong capital structure with a focus on total equity to maintain investor, creditor, and market confidence and to sustain the future development and growth of its business. The Group's focus is on keeping a strong total equity base to ensure independence, and security, as well as high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Group. The Group will take appropriate steps to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Group’s goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31st Ashadh 2081 and 31st Ashadh, 2080.

2.24 SEGMENT REPORTING

The Chief Executive Officer and functional managers of the Group have been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Group’s performance and allocates resources based on an analysis of various performance indicators, however the Group is primarily engaged in only one segment viz., “Generation and Sale of electricity” and that most of the operations are in Nepal. Hence the Group does not have any reportable Segments as per NFRS 8 “Operating Segments”.

2.25 DESCRIPTION OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER EQUITY INVESTMENTS

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2081	Ashadh 31, 2080
	On the basis of audited financial statement		
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	71.68.%	71.68%
BPC Services Limited (BPCSL)	Engineering consultancy services	100.00%	100.00%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	100.00%	80.00%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60.00%	60.00%
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	100.00%	40.00%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	27.24%	27.24%
Chino Hydropower Limited (CHL)	Generation and sale of hydro electricity	100%	-
	On the basis of unaudited financial statement		
Subsidiaries:			
Nepal Hydro & Electric Limited (NHE) **Refer Limitation on Consolidation w.r.t this subsidiary in Note 2.1(iv)**	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%
Associates:			
Himtal Hydropower Company Private Limited	Generation and sale of hydro electricity	19.40%	19.40%
Marsyangdi Transmission Company Private Limited	Transmission of electricity	19.40%	19.40%
Manang Marshyangdi Hydropower Company Private Limited (MMHCPL)	Generation and sale of hydro electricity	19.40%	22.40%
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	Develop, own, acquire and operate hydropower projects	20%	20%
Joint ventures:			
CQNEC-NHE Consortium-Purbi Chitwan	• Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
ERMC & Hydro Consult JVr	• Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I	60%	60%
Hydro Consult & ERMC JV	• Detailed Engineering Design of Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydropower Project • Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP	40%	40%
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	30%.	30%
CE-ITECO-TMS JV	Detailed Feasibility Study of Sunsari Morang Irrigation Project	40.%	40.%
HCE-BDA JV/ HCE-BDA JV(2)	Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW)	60.%	60.%
HCE-CEMAT-PNET JV	Feasibility and EIA study of Humla-Karnali Hydropower Project (62 MW)	40%	40%
Fichtner-HCE-NEW JEC JV	Feasibility and EIA study of Bharbhung Storage Hydropower Project including Tatu ROR Project (10MW), Dolpa District (512MW).	30%	30%
Other equity investments:			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		16.64%	16.64%
Dordi Khola Jal Bidyut Company Ltd		0.30%	0.30%

SUBSIDIARIES

a) Nepal Hydro & Electric Limited

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. The current shareholders are BPC, IKNI, Butwal Technical Institute and Himal Hydro and General Construction Limited. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

b) Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 12.53.% (14.34% in FY 2079/80) (i.e., the prevailing interest rate 10.03% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

c) BPC Services Limited

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

d) Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC owned 71.68% shares of NHL followed by 27% Public and 1.32% LEDCO shareholdings as on reporting date. Generation of electricity started from Baisakh 27, 2079 (May 10, 2022) the COD date.

e)Hydro-Consult Engineering Limited

The engineering business unit of BPC was merged with Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and acquired 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

f) Gurans Energy Limited

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has acquired 60% of the shares held by InfraCo Asia Development on Shrawan 18, 2080 (August 03, 2023). With this additional acquisition, BPC owned 100% shares of Gurans Energy Limited effective from FY 2080/81. BPC has invested NPR 474.91 million in the shares of GEL till the end of FY 2080/81. Currently, the only project under the joint venture pipeline is 37.6 MW Kabeli – A Project under construction.

g) Kabeli Energy Limited (KEL)

Kabeli Energy Ltd. has been established for the development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar District in Nepal, under build, own, operate and transfer (BOOT) model as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). After the exit of InfroCo Asia, BPC is developing the project in partnership with Arun Kabeli Private Limited (AKPL). The shareholding ratio of BPC and AKPL has been maintained at 60% and 40% respectively. The project construction has been resumed after amendment of PPA with NEA and financial closure from local consortium of banks on December 1, 2023. BPC has invested additional NPR 380 million in Kabeli-A project till the end of FY 2080/81 as a part of its Equity for the revival process.

ASSOCIATES

h) S.C.I.G. International Nepal Hydro Joint Development Company Private Limited

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited was established on 22nd November 2017 to develop, own, acquire and operate hydropower projects in Nepal and invest in such business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG), and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with a capital contribution of 20%, 51%, 17% and 12% respectively. The company has an authorized capital of NPR 1,900,000,000 (One Billion

Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each.

i) Manang Marsyangdi Hydropower Company Pvt. Ltd.

Manang Marshyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu. Manang Marsyangdi Hydro-Electric Project developed by the Company with an installed capacity of 282 MW (now optimized capacity at 135MW under Q40) is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal within the Annapurna Conservation Area (ACAP). The project is in the pre-construction phase as on reporting date.

BPC owns 22.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. 77.60% of the total shares are owned by Chinese investors - SCIG HK, CXIG HK & QYEC HK at 49.47%, 16.49% and 11.64% respectively. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and PPA with NEA for 135 MW has been signed. The process of financial closure is ongoing with the Chinese banks and major terms already agreed. The EPC Contractor has started site preparation work.

j) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001, under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marsyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contract address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up the project.

BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is in the process of negotiation. DPR approval at IBN has been completed. The PDA negotiation committee has already been formed at IBN. The Connection Agreement has already been signed with NEA as a process of PPA.

k) Marsyangdi Transmission Company Pvt. Ltd. (MTCL)

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on April 27, 2010, under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600MW upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. The register address of the company is P O Box: 148, Chakupat-10, Lalitpur and contract address is at Sanepa, Lalitpur, Nepal.

BPC has acquired 19.40% shares of MTCPL on 24th May 2019.

JOINT VENTURES

l) CQNEC-NHE Consortium-Purbi Chitwan

Nepal Hydro & Electric Limited has entered into a joint venture agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium] for the design, supply, and construction of 132kv substations at Purbi Chitwan. NHE holds 25.14% interest in the joint venture.

m) HCE-ERMC Joint Venture

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'HCE-ERMC Joint Venture'] for carrying out the following work:

- Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP), Taplejung District
- Detailed Engineering Design of 6.2 MW Budhi Ganga Khola Small Hydropower Project (BGKSHP), Bajura District
- Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW)
- Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project
- Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW)

n) ERMC-HCE Joint Venture (Feasibility and EIA of Sankhuwa Khola and Sankhu khola-1)

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'ERMC-HCE Joint Venture'] for carrying out the following work: -

- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola Hydropower Project, and

- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola-1 Hydropower Project.

o) ITECO-TMS-HCE Joint Venture
HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project (named ITECO Nepal (P.) Ltd. /Total Management Services Pvt. Ltd. /Hydro-Consult Engineering Ltd. JV).

p) HCE-BDA Joint Venture
HCE has entered into a joint venture agreement with Building Design Authority (BDA) on 18 Kartik 2075 to carry out Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW).

q) HCE-ITECO-TMS Joint Venture
HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Consulting Services for Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project Headworks (named Hydro Consult/ITECO/TMS JV).

r) HCE-CEMAT-PNET Joint Venture
HCE has entered into a joint venture agreement with Cemat Consultant Pvt. Ltd. (CEMAT) and Professional Network for Engineering Service (PNET) on 31 October 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Humla-Karnali Project (62 MW), Humla District.

s) FITCHNER-HCE-NEWJEC Joint Venture
HCE has entered into a joint venture agreement with FICHTNER GmbH & Co. KG, Germany and NEWJEC Inc., Japan on 11 September 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Bharbung Storage Hydropower Project and including Tatu RoR Project (10MW), Dolpa district (512MW).

OTHER EQUITY INVESTMENTS

t) Himal Power Limited
Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashadh, 2057 (5 July, 2000). HPL was established on 2049/11/10 (21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The major current shareholders are SN Power, BKK, and BPC. BPC is holding 16.88% shares in HPL As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Asadh 28, 2077), and necessary process of forming Joint venture Company as per the provision of PPA about handover and takeover of the share is in progress.

u) Hydro Lab Private Limited
Hydro Lab Private Limited was established in 2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi, and others. BPC holds 10.73% shares in HLPL.

v) Dordi Khola Jala Bidyut Company Limited
Dordi Khola Jala Bidyut Company Limited is established to develop and operate the 12 MW Dordi Khola Hydropower Project located at Lamjung District. The civil construction of the project started from Chaitra 2074. It is promoted by Lamjung Electricity Development Company Ltd and Khudi Hydropower Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST ASHADH 2081

Note no: 3

Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Right of Use asset	Total
Cost										
Balance at 32nd Ashadh 2079	107,915,745	301,572,259	79,180,483	32,188,090	105,007,591	78,852,519	38,184,676	26,076,777	20,497,747	**789,475,886**
Additions	-	-	2,353,992	335,837	4,980,490	12,110,108	4,493,240	319,550	-	**24,593,217**
Disposals	-	-	(1,159,006)	(167,675)	(1,835,162)	(372,564)	(1,155,794)	-	-	**(4,690,201)**
Balance at 31st Ashadh 2080	107,915,745	301,572,259	80,375,469	32,356,251	108,152,919	90,590,063	41,522,122	26,396,327	20,497,747	**809,378,902**
Additions	22,960,165	-	4,126,480	117,862	4,299,324	22,681,659	3,406,295	12,600	1,468,594	**59,072,979**
Disposals	-	-	(826,132)	(41,011)	(31,990)	(7,653,770)	(723,325)	(1,922,130)	-	**(11,198,358)**
Balance at 31st Ashadh 2081	130,875,909	301,572,259	83,675,817	32,433,103	112,420,253	105,617,951	44,205,092	24,486,797	21,966,342	**857,253,523**
Accumulated depreciation										
Balance at 32nd Ashadh 2079	**-**	**81,266,415**	**58,858,642**	**26,349,289**	**59,723,226**	**52,180,767**	**24,129,195**	**-**	**4,571,610**	**307,079,145**
Charge for the year	-	10,988,187	5,304,146	1,588,371	7,167,065	5,590,913	4,039,247	-	4,571,610	**39,249,539**
Disposals	-	-	(999,922)	(142,369)	(1,728,216)	(307,436)	(1,062,066)	-	-	**(4,240,010)**
Balance at 31st Ashadh 2080	-	92,254,602	63,162,866	27,795,291	65,162,075	57,464,244	27,106,377	-	9,143,220	**342,088,674**
Charge for the year	-	10,438,778	4,804,227	1,241,634	6,764,610	9,429,046	4,171,404	-	4,865,329	**41,715,026**
Adjustment	-	-	52,698	-	-	-	(52,698)	-	-	**-**
Disposals	-	-	(710,832)	(38,154)	(24,581)	(5,671,514)	(637,357)	-	-	**(7,082,437)**
Balance at 31st Ashadh 2081	-	102,693,380	67,308,959	28,998,771	71,902,104	61,221,776	30,587,726	-	14,008,548	**376,721,263**
Net book value										
At 32nd Ashadh 2079	107,915,745	220,305,844	20,321,841	5,838,801	45,284,365	26,671,751	14,055,481	26,076,777	15,926,137	**482,396,741**
At 31st Ashadh 2080	107,915,745	209,317,657	17,212,603	4,560,960	42,990,844	33,125,819	14,415,747	26,396,327	11,354,528	**467,290,228**
At 31st Ashadh 2081	130,875,909	198,878,879	16,366,859	3,434,332	40,518,149	44,396,175	13,617,367	24,486,797	7,957,793	**480,532,260**

Note no: 4
Intangible assets:

Figures in NPR

	Goodwill	Computer Software	" Service Concession Arrangement Intangibles "	Total
Cost				
Balance as at 1st Shrawan 2079		10,176,010	8,903,100,077	**8,913,276,087**
Additions - Externally acquired	-	15,000	200,416,153	**200,431,153**
Acquisition of a Subsidiary [Refer Note "c" below]	-	-	-	**-**
Adjustment during the year	-	-	(4,509,221)	**(4,509,221)**
Balance at 31st Ashadh 2080	**-**	**10,191,010**	**9,099,007,010**	**9,109,198,020**
Additions - Externally acquired	-	2,184,069	43,479,392	**45,663,462**
Acquisition of a Subsidiary [Refer Note "c" below]	-	-	-	**-**
Transfer from CWIP	-	-	-	**-**
Adjustment during the year	-	(99,734)	(6,674,498)	**(6,774,232)**
Balance at 31st Ashadh 2081	-	12,275,346	9,135,811,904	**9,148,087,250**
Amortisation				
Balance as at 1st Shrawan 2079	-	7,638,028	652,578,851	**660,216,879**
Charge for the year	-	962,760	325,494,904	**326,457,664**
Adjustment during the year	-	-	(531,347)	**(531,347)**
Balance at 31st Ashadh 2080	-	8,600,788	977,542,408	**986,143,196**
Charge for the year	-	644,828	327,705,329	**328,350,157**
Adjustment during the year	-	(95,112)	(1,182,951)	**(1,278,063)**
Balance at 31st Ashadh 2081	-	9,150,504	1,304,064,786	**1,313,215,291**
Net book value				
At 1st Shrawan 2079	-	2,537,982	8,250,521,226	**8,253,059,208**
At 31st Ashadh 2080	-	1,590,222	8,121,464,602	**8,123,054,824**
At 31st Ashadh 2081	-	3,124,838	7,831,747,118	**7,834,871,956**

Note: 5
Intangible assets under development

Figures in NPR

Particulars	"As at 31st Ashad 2081"	"As at 31st Ashad 2080"
Pre-operating Expenses (A)	**560,604,331**	**-**
Depreciation	16,524,023	-
Employee related cost	159,923,388	-
Other Project Operation Expenses	136,328,067	-
LEDCO Service Fee and Expenses	-	-
Licensing & Other Development Fees	982,527	-
Pre-Construction Interest, Commission & Fees	-	-
Interest, Commission & Fees during Construction	246,846,325	-
Land Acquisitions (B)	**23,982,809**	
Land Acquisition	6,531,017	-
Building	17,451,792	-

Particulars	"As at 31st Ashad 2081"	"As at 31st Ashad 2080"
Civil Works (C)	**1,279,825,895**	-
Bunker Construction & Explosive Management	68,517,449	-
Tunnel Construction	433,574,161	-
Headrace Box Culvert	200,570,683	-
Power House Construction	171,266,066	-
Penstock, Powerhouse & Surge Shaft	73,305,482	-
Access Road	678,326	-
Other Civil Works	16,746,922	-
Power Plant	296,056,652	-
Intake Diversion System	19,110,155	-
Environment & Social Cost (D)	**2,729,450**	**-**
Community & Social Expenses	1,505,644	-
Financial Support	975,555	-
Compensation Expenses	200,000	-
EIA/IEE Cost	48,251	-
Management and Consultancy (E)	**13,971,818**	-
Development Fee	-	-
Consultancy Fee & Expenses	13,779,586	-
Management Contract	-	-
Legal Fee & Expenses	192,232	-
Foreign Expert Expenses	-	-
Hydro-Mechanical Works, Electro-Mechanical Works and Trans-mission Line (F)	**545,015,088**	-
Hydro-Mechanical Works	47,434,757	-
Electro-Mechanical Works	495,844,566	-
Transformer & Switch Gears	1,735,765	-
Total (A+B+C+D+E+F)	**2,426,129,390**	**-**

a) Refer Note no. 21 for the details in respect of certain Intangible assets under development hypothecated / Pledged / mortgaged as security for borrowings

Note no: 6
INCOME TAXES

Figures in NPR

A. Tax expense recognised in the Statement of Profit or Loss	Year ended 31st Ashad, 2081	Year ended 31st Ashad, 2080
Current tax		
Current income tax charge	75,696,357	72,791,123
Adjustments for under provision in prior periods	392,904	-
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	(835,836)	19,196,495
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in statement of Profit or Loss	**75,253,425**	**91,987,618**

B. Tax expense recognised in Other comprehensive income	Year ended 31st Ashad, 2081	Year ended 31st Ashad, 2080
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	932,157	(869,765)
Income tax charged to OCI	**932,157**	**(869,765)**

C. Current tax asset -net:	Year ended 31st Ashad, 2081	Year ended 31st Ashad, 2080
Advance Income Tax	247,786,200	152,644,861
Less: Income Tax Liability	(123,476,662)	(70,833,518)
Total	**124,309,538**	**81,811,343**

D. Current tax (liability) -net:	Year ended 31st Ashad, 2081	Year ended 31st Ashad, 2080
Income Tax Liability	-	-
Less: Advance Income Tax	-	-
Total	**-**	-

The Group's subsidiary Hydro Consult Engineering Limited has written off amount carried forward since previous years relating to advance tax

Figures in NPR

E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31st Ashad, 2081	Year ended 31st Ashad, 2080
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	349,714,700	485,457,029
Enacted tax rate	22.25%	22.63%
Computed tax expense	77,805,522	109,834,726
Differences due to:		
Profit transferred from JVs (Final withholding tax)	-	-
Tax effect due to non taxable income	(7,958,240)	(11,429,908)
Tax effect due to non-deductible expenses	7,468,447	8,213,321
Due to reduced tax rate on foreign income source	-	(186,265)
Due to loss on foreign income source	-	-
Effect due to additional deductible expenses	(71,843)	(23)
Tax effect due to difference in depreciation rate	(970,032)	(5,181,274)
Doubtful debt recovered	-	-
Use of previous losses	-	(14,244,272)
Tax effect of Impairment reversal less Allowance for ECL	(1,965,065)	(12,657,947)
Other Timing Differences	84,191	84,191
Tax Related to Prior Period	-	-
Accumulated losses	(14,244,272)	-
Current tax on profits for the year	**60,148,708**	**74,432,548**

F. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2080 and 31 Ashadh, 2081:

i) Deferred Tax Assets

Movement during the year ended 31 Ashadh, 2080	"As at Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	""As at 31st Ashadh, 2080"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,497,426	313,821	-	1,811,247
Provision for gratuity	9,815,315	(1,041,973)	1,688,600.00	10,461,942
Depreciation	527,790	(153,009)	-	374,781
Provision for CSR	88,754	39,359	-	128,113
Provision for PLI	1,841,284	78,785	-	1,920,069
Right of use asset	(3,981,534)	1,142,902	-	(2,838,632)
Lease Liability	4,242,279	(991,161)	-	3,251,118
Allowance for doubtful receivables	976,362	(976,362)		0
	15,007,676	**(1,587,638)**	**1,688,600.00**	**15,108,638**

Movement during the year ended 31st Ashadh, 208	"As a1Shrawan, 2080"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2081"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,811,247	235,302	-	2,046,549
Provision for gratuity	10,461,942	(267,273.25)	615,410.25	10,810,079
Depreciation	370,539	68,734	-	439,273
Provision for CSR	128,113	(101,659)	-	26,454
Provision for PLI	1,920,069	(64,232)	-	1,855,837
Right of use asset	(2,838,632)	1,142,902	-	(1,695,730)
Lease Liability	3,251,118	(1,168,743)	-	2,082,375
	15,104,396	**(154,968)**	**615,410.25**	**15,564,838**

ii) Deferred Tax Liability

Movement during the year ended 31 Ashadh, 2080	"As at1Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31st Ashadh, 2080"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	5,598,472	45,897	-	5,644,369
Provision for gratuity	119,148	27,815	-	146,963
Leave money payable	-	-	-	-
Depreciation	(205,851,081)	(5,024,620)	-	(210,875,701)
Amortisation cost of term loan	-	115,524,237	-	115,524,237
Investment in equity instrument	(88,589,639)	-	(818,835)	(89,408,474)
Provision for loss on investment	128,182,185	(128,182,185)	-	-
	(160,540,915)	**(17,608,856)**	**(818,835)**	**(178,968,606)**

Movement during the year ended 31st Ashadh, 2081	"As at 1Shrawan,2080"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2081"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	5,644,369	(270,953)	-	5,373,416
Provision for gratuity	146,963	(147,276)	-	(313)
Leave money payable	-	-	-	-
Depreciation	(210,875,701)	856,900	-	(210,018,801)
Amortisation cost of term loan	115,524,237	(113,024,237)	-	2,500,000
Investment in equity instrument	(89,408,474)	-	(1,547,567)	(90,956,041)
Provision for loss on investment	-	113,559,173	-	113,559,173
Right of use asset	-	(234,975)	-	(234,975)
Lease Liability	-	252,170	-	252,170
	(178,968,606)	**990,803**	**(1,547,567)**	**(179,525,370)**

Note no: 7
Project work-in-progress

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
	At cost	**At cost**
Chino Khola SHP	38,600,070	36,059,482
Lower Manang Marshyangdi HEP	239,395,851	220,879,810
Mugu Karnali HEP	86,903,374	85,810,765
Solar Project at Jhimruk Area (7 MW)	4,385,150	3,416,537
Total	**369,284,445**	**346,166,594**

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

Note no: 8
Investment in associates and joint ventures

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of shares	Amount	No. of shares	Amount
Investment in associates (at cost less impairment loss)				
"Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)"	3,319,836	-	3,319,836	526,160
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	-	2,966,860	47,927,072
"Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)"	-	28,268,160	-	28,268,160
"Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	504,000	-	504,000	-
"BPC Services Limited (Equity Shares of NPR 100 each fully paid up)"	100,000	-	100,000	-
"Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	10,751,453	-	10,751,453	-
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	791,861,860	601,300	787,657,273
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	9,988,961	6,406	9,997,729

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of shares	Amount	No. of shares	Amount
Manang Marsyandi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	198,455	142,463,981	198,455	149,985,669
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	70,642,697	3,125,439	69,231,409
Investment in joint ventures (using equity method)				
CQNEC-NHE Consortium-Purbi Chiitwan		-		12,760,009
ERMC & Hydro Consult JV		753,052		753,052
Hydro Consult & ERMC JV		1,253,718		1,266,918
ITECO-TMS-HCE JV		2,259,311		2,259,311
HCE-ITECO-TMS JV		554,388		561,248
Hydro Consult & BDA JV		455,687		465,896
Hydro Consult & BDA JV (Phase 2)		1,829,492		1,263,594
Fichtner-HCE-NEW JEC JV		2,773,825		662,729
HCE-CEMAT-PNET JV		933,691		840,577
HCE & PNET JV		180,531		141,414
HCE-ERMC-FBC JV		30,191		4,064
ERMC & Hydro Consult (Tila)		272,812		343,351
ERMC & Hydro Consult - Silt (Badigad)		321,746		649,924
ERMC & Hydro Consult (Dadagau)		847,812		975,308
ERMC & Hydro Consult (Marshangdi)		530,770		272,104
HCE-IES JV		51,018		-
Advance towards share capital including incidental cost:				
Gurans Energy Limited(Advance towards Share)	-	-	-	-
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	94,000,000	-	44,000,000
Manang Marshayandi Hydropower Company Pvt. Ltd.	-	353,086,000	-	182,086,000
Kabeli Energy Limited(Advance towards Share)	-	-	-	251,330,400
Total Investment	**21,573,749**	**1,503,359,703**	**21,573,749**	**1,594,229,371**

Note no: 9
Other investments

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
"Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)"	2,978,502	740,282,587	2,978,502	759,512,872
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	40,573,039	10,000	34,052,484
Dordi Khola Jal Bidyut Company Limited	56,000	25,228,000	56,000	6,328,000
(Equity Shares of NPR 100 each fully paid up)				
Total Investment at Fair Value through Other Comprehensive Income	**3,044,502**	**806,083,626**	**3,044,502**	**799,893,356**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**3,044,502**	**826,083,626**	**3,044,502**	**819,893,356**

Note no: 10
Inventories

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
General Stock/Office Supplies/Consumer Service Item	12,002,986	11,379,864
Stock of Electric Goods	71,038,980	42,607,446
T/L and D/L Stock	4,437,393	4,490,183
Other engineering inventories and spare parts	59,819,121	52,220,718
Total	**147,298,480**	**110,698,211**

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

Note no: 11
Cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Balances with banks		
Local currency account		
In current accounts	116,780,780	76,987,322
In call accounts	38,896,771	74,493,891
In deposits accounts (Orignal maturity less than 3 months)	-	-
In short term call deposit	-	41,106,269
Convertible currencies account		
In current accounts	15,964,303	4,315,817
Cheques on hand	54,159	22,920
Cash in hand	523,744	946,552
	172,219,748	**197,872,771**

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Cash at banks and on hand	172,219,748	275,553,297
Overdraft	(42,000,000)	-
	130,219,748	**275,553,297**

Note no: 12
Bank balance other than cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Balances with Bank		
In deposit account	50,941,616	77,680,526
Embarked balance with bank		
Margin money	24,547,093	29,174,069
	75,488,709	**106,854,595**

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

Note no: 13
Trade receivables

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	11,218,926	8,373,961	12,467,681	8,373,961
Local Consumers	-	-	-	-
Bills receivables from JVs	-	-	-	-
Retention money held by the Customers	34,239,699	237,156,863	99,794,504	39,214,920
Other trade receivables	681,265,852	-	552,759,035	-
Less: Allowances for doubtful receivables	(10,151,870)	(8,373,961)	(10,151,870)	(8,373,961)
	716,572,607	**237,156,863**	**654,869,350**	**39,214,920**

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

Note no: 14

Other financial assets (Current and Non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-current	Current	Non-current
Security deposits				
Deposit (Others)	367,267	105,043,440	487,268	118,514,978
Investment in Fixed Deposit	15,500,000		465,500,000	-
Loan and advances				
Advances to Staff	3,008,617	157,000	4,427,813	247,000
Receivables from Employee Welfare Fund	14,301,855	-	14,301,855	-
Accrued Contract Revenue	76,837,330	-	91,743,920	-
Receivables from associates and joint ventures				
Dividend receivable from associates	15,868,800	-	-	-
Other receivables from associates	151,209	-	6,758,555	-
Interest receivable from associates	36,253,569	-	19,387,519	-
Advance receivables from JVs	1,417,119	-	121,318,785	-
Other receivables				
Receivables from Harish Chandra Shah	-	-	-	-
Receivables from SC Power Company Pvt. Ltd.	-	-	-	-
Other receivables from Department of Electricity Development (DoED)	40,708,234	-	40,238,306	-
Other receivables from Citizen Investment Trust	-	-	-	-
Margin Money	40,606,485	137,820	367,400	137,820
Other receivables	127,182,244	-	134,870,688	-
Total	**372,202,729**	**105,338,260**	**899,402,109**	**118,899,798**

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

Note no: 15

Other assets (Current and Non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-current	Current	Non-current
Capital advance	7,101,882	-	573,859	-
Prepayments	25,361,798	-	29,703,327	-
Work Advance to staff	28,628	-	28,764	-
Advance to Supplier/Contractor/Sub Contract	397,900,902	-	115,226,808	-
Deposit with Government authorities	-	-	-	-
Gratuity Fund Surplus	-	-	-	-
Advance to employees	14,405,529	-	3,029,334	-
Other assets	7,439,331	-	69,710	-
	452,238,070	**-**	148,631,802	**-**

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

Note no: 16

Equity Share Capital

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares				
Authorised				
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	34,090,646	3,409,064,600
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	34,090,646	3,409,064,600
	34,090,646	**3,409,064,600**	**34,090,646**	**3,409,064,600**

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

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
	No. of Shares	No. of Shares
Balance as at the beginning of the year	34,090,646	32,463,268
Add: Issue of bonus share during the year	-	1,627,378
Balance as at the end of the year	**34,090,646**	**34,090,646**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh 2081		As at 31stAshadh2080	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	19,191,816	56.30%	19,191,816	56.30%
Government of Nepal	2,530,249	7.42%	2,530,249	7.42%
IKN Nepal A.S., Norway	538,689	1.58%	538,689	1.58%
United Mission to Nepal	466,161	1.37%	466,161	1.37%
Nepal Electricity Authority	293,974	0.86%	293,974	0.86%
General Public/Employees				
- NMB Bank Ltd.	-	0.00%	-	0.00%
- Kamana Sewa Bikas Bank Ltd.	-	0.00%	-	0.00%
- Other General Public shareholders	11,069,757	32.46%	11,069,757	32.46%

D. Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital. The Company declares and pays dividend in Nepalese rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Declared dividend for 2079-80: Cash dividend NPR 5 per share (2078-79: cash dividend NPR 7.5% per share and stock dividend 5 per share)	-	162,737,800
"Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date): "		
Dividends on ordinary shares:		
Proposed dividend for 2080-81: Cash dividend NPR 5 per share payable after the approval of 32nd AGM.(2079-80: cash dividend NPR 5% per share)	170,453,230	

Note no: 17
Other Equity

Figures in NPR

	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve	Retained Earnings	Actuary Reserve	Total
Balance at 32nd Ashadh 2079	**1,767,535,318**	**18,151,841**	**148,700,000**	**258,777,637**	**1,525,588,296**	**13,673,906**	**3,732,426,998**
Profit for the year	-	-	-	-	(5,301,362)	-	**(5,301,362)**
Other comprehensive income	-	-	-	(142,290)	-	-	**(142,290)**
Issue of right share	-	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(162,737,800)	-	**(162,737,800)**
Issue of Further Public Offering	-	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-	-	-	**-**
Dividends to shareholders	-	-	-	-	(245,117,274)	-	**(245,117,274)**
Transfer to Retained Earnings	-	-	-	-	-	-	**-**
Prior Period Adjustment	-	-	-	-	2,162,465	-	**2,162,465**
Adjustment during the year	-	-	-	6,991,278	(117,051,093)	1,651,397	**(108,408,418)**
Balance at 31st Ashadh 2080	**1,767,535,318**	**18,151,841**	**148,700,000**	**265,626,625**	**965,400,885**	**15,325,303**	**3,180,739,972**
Profit for the year	-	-	-	-	353,770,924	-	**353,770,924**
Other comprehensive income	-	-	-	398,309,120	-	-	**398,309,120**
Issue of right share	-		-	-	-	-	**-**
Issue of bonus share		-	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	-	-	**-**
Share Issue Cost	(14,522,920)	-	-	-	-	-	**(14,522,920)**
Dividends to shareholders	-	-	-	-	(171,743,617)	-	**(171,743,617)**
Transfer to Retained Earnings	-	-	-	-	-	-	**-**
Restatement of prior period errors	-				-	-	**-**
Advance received during the year	-	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	2,598,796	(98,013,446)	(5,065,801)	(100,480,451)
Balance at 31st Ashadh 2081	**1,753,012,398**	**18,151,841**	**148,700,000**	**666,534,541**	**1,049,414,746**	**10,259,502**	**3,646,073,028**

Note no: 18
Grant aid in reserve

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Closing Balance	Amortisation for the year	Closing Balance	Amortisation for the year
Name of Grantors				
NORAD	7,150,157	328,484	7,478,641	328,484
UMN PCS	14,237,679	673,931	14,911,610	673,931
USAID	8,032,847	382,723	8,415,570	382,723
REGDAN	8,729,502	414,375	9,143,877	414,375
JRP	4,327,846	206,805	4,534,651	206,805
REEP	58,344,784	2,773,848	61,118,632	2,773,848
Local VDC/Community	66,425,501	3,119,951	69,545,452	3,119,951
Total	**167,248,316**	**7,900,117**	**175,148,433**	**7,900,117**

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

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	6,067,094	30,075,777	7,949,501	27,960,640
Provision for Gratuity	8,384,586	34,855,731	7,522,554	34,325,214
Provision for Performance Link Incentive	7,423,347	-	7,680,276	-
Provision for CSR	105,816	-	512,451	-
	21,980,843	**64,931,508**	**23,664,782**	**62,285,854**

Note no: 20
Trade payables

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Sundry creditors	170,491,271	-	98,059,581	-
Total	**170,491,271**	**-**	**98,059,581**	**-**

Note no: 21
Borrowings

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	807,856,893	4,611,902,900	36,666,667	4,600,970,567
Trust Receipt Loan	-	-	-	-
Bridge Gap Loan	3,083,904	-	33,080,000	-
Working Capital Loan	1,700,000	-	3,400,000	-
Short term loan	539,741,152	-	421,601,321	-
Overdraft	42,000,000	-	-	-
	1,394,381,949	**4,611,902,900**	**494,747,988**	**4,600,970,567**

1) Details of Security

a. The Group has entered into arrangement for bridge gap loan/overdraft facility aggregate to NPR 16.78 million (As at 31st Ashadh, 2080 - NPR 70.10 million) with Nepal Investment Mega Bank. These loans along with overdraft facility are secured as charge by way of hypothecation on entire project of Khudi project, all receivable of PPA, Current account, Bills and Receivables of subsidiary KHL.

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 4,713.40 million (As at 31st Ashadh, 2080 - NPR 4,759.36 million) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Laxmi Sunrise Bank Limited and HIDC Limited. Short term loan includes bridge gap loan provided during the year by the lead bank within the terms agreed in above consortium loan arrangement. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

c. Term loan aggregate to NPR 79.66 million (As at 31st Ashadh, 2080 - NPR 94.66 million) is obtained from Laxmi Sunrise Bank Limited which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at Kathmandu.

d. Short term loan and cash credit facility NPR 250 is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

e. Short Term Demand Loan facility aggregate to NPR 439.74 million (As at 31st Ashadh, 2080 - 321.60 million), is obtained from Nepal Investment Mega Bank Limited which is secured by way of hyphothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machinery, Inventories and Trade Receivables of subsidiary NHE.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
2-3 Years	176,709,900	460,760,333
4-5 Years	498,564,000	528,564,000
6-10 Years	1,925,640,000	1,600,657,234
Beyond 10 years	2,010,989,000	2,010,989,000
Total	**4,611,902,900**	**4,600,970,567**

Note no: 22
Other Financial Liabilities

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Advance from AKPL	-	720,000,000	-	-
Deferred Contract Revenue	-	-	23,416,270	-
Advance payable to JVs	32,425,687	-	163,679,359	-
Bonus Payable	13,246,664	-	22,606,941	-
Employee related accrual	25,354,744	-	22,489,914	-
Refundable Deposits of Parties	2,851,168	-	2,593,133	-
Retention money Payable	84,105,298	187,488,014	19,362,446	200,704,795
Royalty Payable	6,311,347	-	6,302,765	-
Interest Payable	71,109,966	-	34,473,824	-
Payable for property, plant and equipment	-	-	1,240,348	-
Other Payables	14,305,210	-	31,026,787	-
	249,710,084	**907,488,014**	**327,191,787**	**200,704,795**

Note no: 23
Other liabilities (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2081		As at 31st Ashadh 2080	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	17,551,648	920,962	18,472,610
Dividend Payable	89,140,436	-	73,201,728	-
Gratuity Payable	(1,564)	-	734,814	-
Advance from Customers	-	-	450,000	-
Statutory dues	9,491,449	-	8,518,382	-
TDS Payable	4,738,482	-	56,355	-
VAT Payable	4,623,648	-	27,881,301	-
Welfare Fund Clearing Account	4,215,576	-	3,644,531	-
Lease Liability	5,619,679	3,970,673	3,965,020	9,039,453
Provision for reserves	-	-	-	-
Contract Liabilities	157,009,678	-	312,973,165	-
Other current liabilities	270,392,475	-	7,851,892	-
	546,150,821	**21,522,321**	**440,198,150**	**27,512,063**

Note no: 24
Revenue

Figures in NPR

Particulars	2080-81	2079-80
Electricity Sales to NEA	1,092,182,729	1,150,918,367
Electricity Sale to Consumers	268,955,014	247,530,313
Sale of services	1,629,197,508	993,470,967
Total	**2,990,335,251**	**2,391,919,647**

Note no: 25
Cost of Sales

Figures in NPR

Particulars	2080-81	2079-80
Cost of Consumed Materials, Supplies and Services	827,260,769	408,566,721
Cost incurred during construction phase	-	-
Electricity Purchase	52,383,448	33,804,152
Defined benefit plan expenses	4,210,641	4,242,231
Salaries and other employee cost	301,500,238	302,228,222
Mutually Agreed Retirement Scheme	-	-
Contribution to Provident and Gratuity Fund	17,582,721	15,210,189
Staff Bonus	-	-
Staff Bonus - COS	9,365,956	19,665,927
Donation expenses	558,000	630,500
Rent	(27,547)	(25,576)
Transmission Line Operatation & Maintenance	84,632	210,025
Miscellaneous Expenses	26,068,444	27,478,240
Site office expenses	622,980	341,883
Social security fund	-	-
leave encashment expenses	820,324	1,042,073
security expenses	-	97,750
Fuel and power charges	5,205,141	4,701,906
Repair and Maintenance	4,695,029	3,147,225

Particulars	2080-81	2079-80
Transportion and Site Installation Expenses	34,770,018	26,502,219
Sub-contracting expenses	347,608,554	140,521,147
Power Plant Operation & Maintenance	686,348	52,067
Repair and Maintenance	44,595,059	36,694,910
Vehicle Operation and Maintenance	2,648,645	2,112,496
Depreciation and amortization	340,431,054	339,020,307
Environment, Community & Mitigation (CSR)	16,177,952	16,442,696
Donation expenses	-	-
Vehicle running cost	2,732,444	3,308,890
Royalty	110,923,070	114,402,864
Insurance	37,962,708	32,780,787
Safety and Security	8,460,146	7,868,837
Legal and professional Expenses	38,316,029	48,700,330
Assets written off	78,299	200,998
Miscellaneous Expenses	-	-
Operation Expenses	4,500	-
Bad Debts	-	-
Total	**2,235,725,602**	**1,589,950,016**

Note no: 26
Administrative and other operating expenses

Figures in NPR

Particulars	2080-81	2079-80
Salaries and other employee cost	131,932,596	127,064,563
Mutually Agreed Retirement Scheme	-	-
Contribution to Provident and Gratuity Fund	8,931,533	8,426,536
Defined benefit plan expenses	1,320,267	1,289,877
Staff Bonus - admin	5,468,236	9,315,400
Staff Welfare	4,751,897	4,904,199
Depreciation and amortization	24,772,649	22,115,284
House Rent	1,666,412	970,135
Vehicle Running Expenses	5,643,601	5,211,410
Printing and Stationery Expenses	3,660,583	3,763,044
Advertisement & Publicity	2,306,641	2,094,465
Support Staff Expenses	2,079,506	1,881,093
Gift & Donations	1,037,051	429,182
Assets Written off	107,211	155,183
Equity Investment written off	-	-
Environment, Community & Mitigation (CSR)	3,089,646	5,982,864
Rates and Taxes	4,154,433	2,069,540
Office Operation and Maintainance	12,752,974	12,904,017
Travelling and Transportation	1,634,183	508,933
Traveling Expenses & Allowance	4,197,069	2,929,715

Particulars	2080-81	2079-80
Audit fee and expenses	3,119,384	4,124,987
AGM and Board Expenses	8,047,849	8,162,014
Legal and Profesional Fees	7,496,501	7,762,102
Hospitality and Refreshment	2,914,178	2,181,520
Communication expenses	4,650,482	4,837,598
Medical expenses	21,748	213,900
Safety and Security	2,398,034	2,403,034
Training and Development	3,836,528	4,533,566
Insurance expenses	2,484,228	2,567,496
Repair and Maintenance - Admin	8,191,528	7,082,455
Bad debts	-	-
Previous Year Tax Expenses	-	-
Provision for doubtful debt expenses	-	-
Foreign exchange loss	-	-
Miscellaneous Expenses	15,015,860	16,323,159
Impairment loss on assets	-	-
IT Expenses	336,870	352,628
Fines and Penalties	26,592	16,200
Training and Seminars	-	80,120
Leave encashment expenses	1,391,827	1,642,983
Write offs	-	6,561,763
Community and social expenses	-	-
Overhead Charged to Projects	(7,141,939)	(7,061,504)
Total	**272,296,158**	**273,799,461**

Note no: 27
Other Income

Figures in NPR

Particulars	2080-81	2079-80
Dividend income	3,372,055	4,944,750
Income from Other Sources	37,236,287	11,908,679
House Rent Income	9,862,861	12,983,548
Profit/(Loss) on Sale & Write Off Fixed Assets	7,487,827	2,478,839
Foreign exchange gain/loss	-	-
Miscellaneous Income	42,056,441	17,161,414
Foreign Currency Gain/(Loss)	582,790	(15,241,437)
Provision for doubtful debt written back	-	-
Provision for Impairment loss written back	10,026,994	513,156,391
Insurance Claim received on Loss of Assets	145,165	19,668,439
Total	**110,770,420**	**567,060,623**

Note no: 27A

Allowance for Expected Credit loss

Figures in NPR

Particulars	2080-81	2079-80
Gurans Energy Limited	-	135,700,323
Kabeli Energy Limited	-	131,396,626
Receivables from Harish Chandra Shah	-	185,000,000
Receivables from SC Power Company Pvt. Ltd.	-	10,000,000
Total	**-**	**462,096,949**

During the Current year the parent has provided Allowances for expected Credit loss has been provided for amounts provided for Advances towards share of Kabeli Energy Limited for NPR 2,770,000 and of Gurans Energy Limited for NPR 7,230,000.

Note no: 28

Finance income

Figures in NPR

Particulars	2080-81	2079-80
Interest income	54,337,008	115,277,451
Other finance income	1,145,679	1,117,291
Total	**55,482,687**	**116,394,742**

Note no: 29

Finance Costs

Figures in NPR

Particulars	2080-81	2079-80
Interest Expenses	473,608,044	507,132,580
Other finance cost	7,134,747	-
Bank Charges & Commision	1,803,013	2,465,982
Total	**482,545,804**	**509,598,562**

Note no: 30

EARNINGS PER SHARE

Figures in NPR

	2080-81	2079-80
Profit attributable to equity holders of the parent company	353,770,924	(5,301,362)
Weighted average number of equity shares outstanding	34,090,646	34,090,646
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) "	**10.38**	**(0.16)**
[2079-80 Restated]		
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	34,090,646	34,090,646
"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) "	**10.38**	**(0.16)**

[2079-80 Restated]

Note no: 31
Financial Instruments: Classifications and fair value measurements
Fair value measurements

Figures in NPR

Particulars	Fair value		"Fair value hierarchy"	"Valuation technique(s) and key input(s)"
	As at 31st Ashadh 2081	As at 31st Ashadh 2080		
Financial assets :				
Investment in equity instruments of Himal Power Limited	740,282,587	759,512,872	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Hydro Lab (P) Limited	40,573,039	34,052,484	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Dordi Khola Jal Bidyut Company Ltd	25,228,000	6,328,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Note no: 32

RELATED PARTY DISCLOSURES

(a) Relationship

The Group is controlled by Shangri-La Energy Ltd which owns 56.30% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Other Related Party	SCP Hydro International
	Lamjung Electricity Development Company

Information on the Group's structure is provided in Note 2.25

(b) Those charged with governance

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Raju Maharjan	Director
vi) Mrs. Beena Rana	Director
vii) Mr.Tirtha Man Shakya	Director
viii) Mr. Bijay Bahadur Shrestha	Alt. Director
ix) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	1,360,000	1,950,000
Communication, IT and Transportation	1,152,000	1,307,250

(c) Transactions with key management personnel
Key Management personnel includes:
i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Short-term employee benefits	9,724,271	10,093,864

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	447,480	596,640	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	-	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	82,422	252,382	-	-

Note no: 33
Contingent Liabilities and commitments

Corporate Guarantee

S.no.	Bank Name	Purpose	Amount	"Expiry Date (A.D.)"
1	Nepal Investment Mega Bank Ltd.	Khudi Hydro's OD and Bridge gap loan	33,530,400.00	Till repayment.
2	Sanima Bank Limited	For PDA of MM	50,000,000.00	4/20/2025
3	Laxmi Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	135,000,000.00	3/18/2026
4	Laxmi Sunrise Bank Limited	To NEA for PPA of 139.2 MW LMMHEP	139,200,000.00	10/13/2028
5	Laxmi Sunrise Bank Limited	To NEA for bidding of 10 MW Jhimruk Solar Power Project	10,000,000.00	4/3/2025
6	Kuamri Bank Limited	For Financial Closure of Kabeli-A Project	4,510,000,000.00	Till repayment.
7	Everest Bank Limited	For obtaining additional loan borrowed by Nyadi Hydropower Limited	550,000,000.00	Until NHL commences delivery of power.

B. Preference Dividend

Group's subsidiary company - KHL has issued cumulative preference shares amounting to NPR 81,650,000 to outsider and cumulative dividend calculated thereto is as follows:

Name	Preference Shares (NPR)	Accumulated Dividend		Dividend declared till date for earlier years	Total Cumulative Dividend (NRP) yet to be declared
		Up to F/Y 2079/80	F/Y 2080/81		
BPCL	57,600,000	125,680,690	7,217,280	80,809,436	52,088,534
SCPHI	24,000,000	52,025,175	3,007,200	33,670,599	21,361,776
LEDCO	50,000	119,150	6,265	70,147	55,268
Total	**81,650,000**	**177,825,015**	**10,230,745**	**114,550,182**	**73,505,578**

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 12.56 % (average consortium loan rate of 10.06 % plus 2.5%).

The cumulative dividend upto the current financial year is NPR 73,505,578 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

C. Contingent Liabilities

i)Royalty and Tax exemption regarding additional 4.3 MW project in Andhikhola

"The group has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has filed writ petition at Supreme Court for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the group applies existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 48.45 million considering the period since commencement date till Ashadh end 2081. DoED has claimed the royalty for newly added 4.3MW project at Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to BPC. As of 15th July 2024, NEA has deducted NRs 40,708,233.91 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements."

D. Capital Commitments

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

The Group is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis.
Group's part of capital commitment on this project is NPR 1,805 million for overall 60% shareholding (including indirect holding through Gurans Energy Limited) considering debt equity ratio at 60:40, of which BPC has invested overall NPR 1277.91 million as on reporting date. Total project cost is estimated at Rs. 7520 million. Construction of the project has been re-started and overall physical progress of around 60% has been acheived. The Financial Closure was acheived on December 1, 2023.

"ii. 139.2-MW Lower Manang Marsyangdi Hydropower Project

The Group has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.239.40 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.2 MW under PROR. Group's part of capital commitment on this project is NPR 1188 million for 19.40% shareholding."

"iii. 159.62 MW Mugu Karnali Hydropower Project

The Group has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing. NPR.86.90 million has been spent by the group for this project as on reporting date. This project being an initial stage has not yet been concluded for capital commitment."

"iv. 7.9 -MW Chino Khola Hydropower Project

The Group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study of the project is completed and the project capacity has been optimized to 7.9 MW at Q40. EIA study was completed and approved by the Ministry of Forest and Environment. Generation License has been received for 35 years effective from Ashadh 20, 2079 (July 04, 2022). The draft PPA document has been initialized with NEA.Purchase of private land for permanent structures has completed.The financial closure and PPA timeline under Generation License has been extended for one year from Ashadh 20, 2081.NPR.40.35 million has been spent by the company for this project as on reporting date. BPC's part of capital commitment on this project is NPR 276.5 million for 70% shareholding."

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

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. Group's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which the group has invested NPR 187.5 million as on reporting date."

"vi. 135 MW Manang Marsyangdi Hydropower Project (M1)
The Group has currently owned 22.40% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. Group's part of capital commitment on this project is NPR 1152 million for 19.40% shareholding as 3% of the total shares is proposed to transfer to SCIG JVC. Balance 77.40% shares has been transferred Chinese investors - SCIG HK, CXIG HK & QYEC HK 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 480.75 million for this project as on reporting date."

vii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (M3)
Thw Group has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. PDA is on process of negotiation. Group's part of capital commitment on this project is NPR 2,791 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 789.70 million for this project as on reporting date."

"vii. Marsyangdi Transmission Project (MTP)
The Group has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by M3. 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 10.34 million for this project as on reporting date."

"x. 7 MW Solar Power Project at Jhimruk Area
The Group has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7MW Solar Power Project (SPP) at total estimated project cost of Rs. 600 million and application IEE approval has been achieved, and amendment of survey license is done. Group has revised its survey license from 7 MW to 10 MW and also submiited the tariff-based bidding for Jhimruk Solar Project with NEA. However, due to being the initial stage, capital commitment has not yet been made for this project."

"xi. Nepal Power Exchange Limited (NEPEX)
The Group has invested Rs. 20 million in the shares of NEPEX established by IPP for cross border power trade as on reporting date and commited total Rs. 200 million (10%) of its share capital amount Rs, 2,000 million."

Note no: 34
Non-controlling interests

Figures in NPR

Particulars	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Balance at beginning of year	504,740,733	582,554,015
Profit for the year	(44,809,876)	(26,916,962)
Other comprehensive income	4,770,900	(2,467,005)
Dividends to shareholders	(9,471,400)	(16,330,000)
Transfer to Retained Earnings	-	-
Increase in NCI due to acquisition of new subsidiaries	4,161,696	-
Issue of share in subsidiaries	-	-
Adjustment during the year	8,788,145	(32,099,315)
Adjustment in NCI (RE Portion) due to change in Shareholding %	-	-
Balance at end of year	**468,180,197**	**504,740,733**

Details of non-wholly owned subsidiaries that have non-controlling interests
The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non controlling interests		Profit (loss) including OCI allocated to non controlling interests		Accumulated non-controlling interests	
	As at 31st Ashadh 2081	As at 31st Ashadh 2080	As at 31st Ashadh 2081	As at 31st Ashadh 2080	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Nepal Hydro & Electric Limited	48.70%	48.70%	(6,112,634)	13,486,418	59,004,646	65,117,280
Khudi Hydropower Limited	40.00%	40.00%	19,784,179	11,615,610	98,896,587	88,583,808
Nyadi Hydropower Limited	28.32%	28.32%	(54,073,710)	(54,485,996)	305,754,078	359,827,788
Kabeli Energy Limited	0.46%	0.00%	363,189.88	-	4,524,885.50	-
			(40,038,976)	**(29,383,967)**	**468,180,197**	**513,528,877**

Summarised financial information in respect of each of the Group's subsidiaries that has non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Nepal Hydro & Electric Limited	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Non-current assets	497,742,296	313,344,618
Current assets	949,116,435	1,019,781,181
Non-Current Liabilities	42,891,467	41,628,540
Current Liabilities	989,365,172	919,170,144
Equity attributable to owners of the Company	191,006,772	168,450,212
Non-controlling interests	181,320,343	159,907,682
Revenue	1,467,821,194	804,349,105
Total Cost	1,423,699,987	755,314,083
Profit for the year	44,121,207	49,035,022
Profit after elimination entry	**(10,705,584)**	**32,759,104**
Profit attributable to owners of the Company	(5,492,050)	16,805,681
Profit attributable to the non-controlling interests	(5,213,534)	15,953,423
Other comprehensive income for the year	(1,846,231)	(5,065,801)
OCI after elimination entry	**(1,846,231)**	**(5,065,801)**
Other comprehensive income attributable to owners of the Company	(947,131)	(2,598,796)
Other comprehensive income attributable to the non-controlling interests	(899,100)	(2,467,005)
Total comprehensive income for the year	**(12,551,815)**	**27,693,303**
Total comprehensive income attributable to owners of the Company	(6,439,181)	14,206,885
Total comprehensive income attributable to the non-controlling interests	(6,112,634)	13,486,418

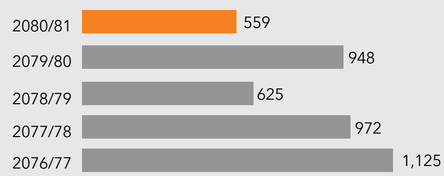
Khudi Hydropower Limited	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Non-current assets	284,523,725	275,286,769
Current assets	27,015,673	48,989,950
Non-Current Liabilities	25,261,616	34,237,000
Current Liabilities	63,349,691	85,553,677
Equity attributable to owners of the Company	108,484,525	106,789,515
Non-controlling interests	72,323,017	71,193,010
Revenue	81,255,605	89,962,156
Total Cost	53,310,056	63,458,639
Profit for the year	**27,945,550**	**26,503,517**
Profit after elimination entry	**35,285,446**	**29,039,025**
Profit attributable to owners of the Company	21,171,268	17,423,415
Profit attributable to the non-controlling interests	14,114,179	11,615,610
Other comprehensive income for the year	14,175,000	-
OCI after elimination entry	**14,175,000**	**-**
Other comprehensive income attributable to owners of the Company	8,505,000	-
Other comprehensive income attributable to the non-controlling interests	5,670,000	-
Total comprehensive income for the year	**49,460,446**	**29,039,025**
Total comprehensive income attributable to owners of the Company	29,676,268	17,423,415
Total comprehensive income attributable to the non-controlling interests	19,784,179	11,615,610

Nyadi Hydropower Limited	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Non-current assets	5,780,384,237	6,003,956,020
Current assets	165,998,472	165,276,282
Non-Current Liabilities	4,649,283,168	4,708,330,744
Current Liabilities	332,896,304	303,957,905
Equity attributable to owners of the Company	829,255,020	971,465,662
Non-controlling interests	327,688,632	383,884,627
Revenue	592,045,728	591,643,888
Total Cost	784,786,143	790,050,526
Profit for the year	**(192,740,415)**	**(198,406,639)**
Profit after elimination entry	**(190,913,659)**	**(192,369,281)**
Profit attributable to owners of the Company	(136,839,949)	(137,883,286)
Profit attributable to the non-controlling interests	(54,073,710)	(54,485,996)
Other comprehensive income for the year	**-**	**-**
OCI after elimination entry	**-**	**-**
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**(190,913,659)**	**(192,369,281)**
Total comprehensive income attributable to owners of the Company	(136,839,949)	(137,883,286)
Total comprehensive income attributable to the non-controlling interests	(54,073,710)	(54,485,996)

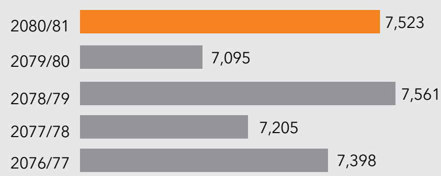
Kabeli Energy Limited	As at 31st Ashadh 2081	As at 31st Ashadh 2080
Non-current assets	2,437,420,953	-
Current assets	364,111,040	-
Non-Current Liabilities	83,844,800	-
Current Liabilities	1,013,297,529	-
Equity attributable to owners of the Company	1,696,271,718	-
Non-controlling interests	7,823,807	-
Revenue	-	-
Total Cost	(294,139)	-
Profit for the year	**294,139**	**-**
Profit after elimination entry	**79,106,025**	**727,115**
Profit attributable to owners of the Company	78,742,835	727,115
Profit attributable to the non-controlling interests	363,190	-
Other comprehensive income for the year	**-**	**-**
OCI after elimination entry	**-**	**-**
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**79,106,025**	**727,115**
Total comprehensive income attributable to owners of the Company	78,742,835	727,115
Total comprehensive income attributable to the non-controlling interests	363,190	-

Group Consolidated Financial Highlights

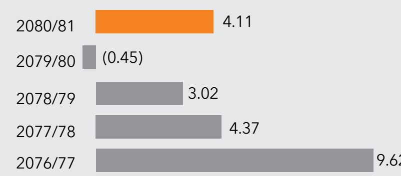
EBITDA (In NPR Million)



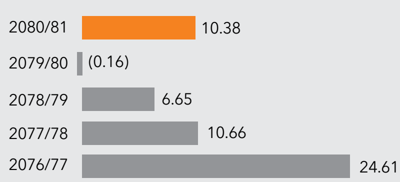
NET WORTH (In NPR Million)



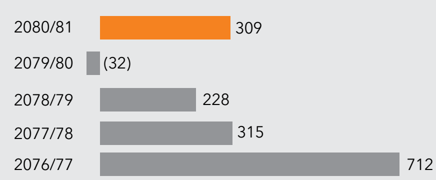
RETURN ON EQUITY (In %)



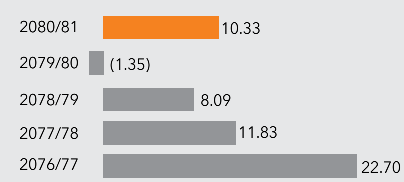
EARNINGS PER SHARE (In NPR)



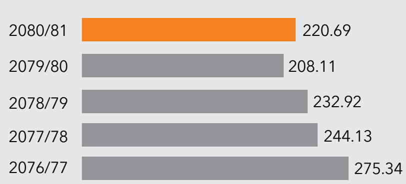
NET PROFIT (In NPR Million)



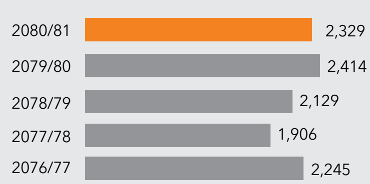
NET PROFIT MARGIN (In %)



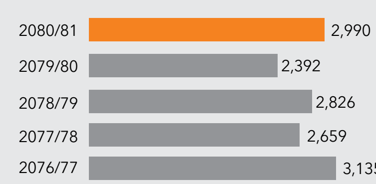
BOOK VALUE PER SHARE (In NPR)



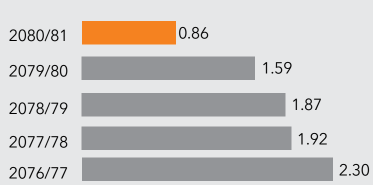
INVESTMENT (In NPR Million)



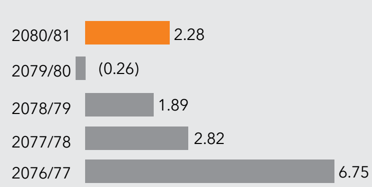
REVENUE (In NPR Million)



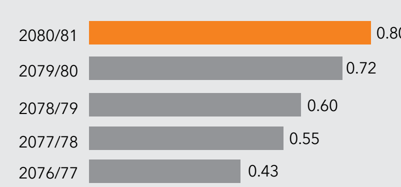
CURRENT RATIO (In Times)



RETURN ON CAPITAL EMPLOYED (In %)



DEBT TO EQUITY RATIO (In Times)



STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

As on 31st Ashadh 2081 (15th July 2024)

Particulars	HCEL	Khudi	Nyadi	BPCSL	CHL	GEL	KEL	NHE
ASSETS								
Non-Current Assets								
Property, plant and equipment	16,929,396	541,319	6,949,478	8,930,144	22,960,165	-	11,290,063	118,174,709
Capital work-in-progress	-	-	-	-	-	-	-	24,486,797
Intangible assets	665,047	257,226,371	5,773,434,759	-	-	8,698	-	9,616
Intangible assets under development	-	-	-	-	-	-	2,426,129,390	-
Financial assets								
Investment in Subsidiaries and Associates	-	-	-	-	-	322,434,000	-	-
Other investments	-	25,228,000	-	-	-	-	-	-
Trade receivables	-	-	-	-	-	-	-	237,156,863
Other financial assets	83,391	353,160	-	-	-	-	1,500	104,900,209
Deferred-tax assets	2,533,629	-	-	-	-	17,105	-	13,014,102
Non-Current Lease Asset	6,782,918	1,174,875	-	-	-	-	-	-
Other non-current assets	-	-	-	-	-	-	-	-
Total Non-Current Assets	**26,994,379**	**284,523,725**	**5,780,384,237**	**8,930,144**	**22,960,165**	**322,459,803**	**2,437,420,953**	**497,742,296**
Current Assets								
Inventories	-	5,057,098	-	-	-	-	-	86,844,041
Financial assets								
Trade receivables	94,677,127	11,218,926	-	-	-	-	-	514,472,023
Cash and cash equivalents	23,187,680	2,101,183	11,906,069	468,602	17,247,643	1,286,200	61,407,674	23,643,443
Bank balance other than cash and cash equivalents	50,941,616	-	1,271,869	-	-	-	-	16,160,224
Other financial assets	14,116,758	468,732	136,127,899	15,500,000	-	-	40,250,422	66,695,499
Other current assets	2,302,234	2,240,018	16,607,575	93,341	-	500,000	258,486,958	150,840,644
Current tax assets (net)	7,458,840	5,929,716	85,060	37,993	6,711	1,279,297	3,965,986	90,460,560
Total Current Assets	**192,684,255**	**27,015,673**	**165,998,472**	**16,099,935**	**17,254,354**	**3,065,497**	**364,111,040**	**949,116,434**
Total Assets	**219,678,636**	**311,539,400**	**5,946,382,709**	**25,030,080**	**40,214,519**	**325,525,301**	**2,801,531,992**	**1,446,858,731**

Particulars	HCEL	Khudi	Nyadi	BPCSL	CHL	GEL	KEL	NHE
EQUITY AND LIABILITIES								
Equity								
Equity	14,723,100	84,000,000	1,500,000,000	10,000,000	10,000,000	829,959,000	1,085,014,947	139,530,000
Other Equity	154,645,988	138,928,092	(535,796,763)	6,080,461	29,819,258	(504,806,283)	619,374,716	275,072,092
Total Equity	**169,369,088**	**222,928,092**	**964,203,237**	**16,080,461**	**39,819,258**	**325,152,717**	**1,704,389,663**	**414,602,092**
Liabilities								
Non-Current Liabilities								
Financial liabilities								
Borrowings	-	-	4,463,398,820	-	-	-	83,844,800	-
Other financial liabilities	-	-	183,345,710	-	-	-	-	4,142,304
Non-Current Lease Liability	2,885,572	1,085,101	-	-	-	-	-	-
Provisions	-	1,536,717	2,538,638	-	-	-	-	38,749,163
Deferred tax liabilities	-	22,639,798	-	116	-	-	-	-
Total Non-Current Liabilities	2,885,572	25,261,616	4,649,283,168	116	-	-	83,844,800	42,891,467
Current Liabilities								
Financial liabilities								
Borrowings	-	16,783,904	250,000,000	-	-	-	792,856,893	439,741,152
Trade payables	13,186,791	17,263,120	393,150	-	-	-	50,454,525	86,206,648
Other financial liabilities	10,535,445	6,207,224	76,134,059	8,948,530	304,375	372,584	122,798,635	72,829,989
Current Lease Liability	5,443,929	175,750	-	-	-	-	-	-
Provisions	10,862,330	-	-	-	-	-	236,078	9,344,186
Other current liabilities	7,395,480	22,919,692	6,369,095	972	90,886	-	46,951,397	381,243,197
Current tax liabilities (net)	-	-	-	-	-	-	-	-
Total Current Liabilities	**47,423,975**	**63,349,692**	**332,896,304**	**8,949,502**	**395,261**	**372,584**	**1,013,297,529**	**989,365,172**
Total Liabilities	**50,309,547**	**88,611,308**	**4,982,179,472**	**8,949,618**	**395,261**	**372,584**	**1,097,142,329**	**1,032,256,639**
Total Equity and Liabilities	**219,678,636**	**311,539,400**	**5,946,382,709**	**25,030,080**	**40,214,519**	**325,525,301**	**2,801,531,992**	**1,446,858,731**
Net Worth Per Share	1,150.36	265.39	64.28	160.80	398.19	39.18	157.08	297.14

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

For the year ended 31st Ashadh 2080 (16th July 2023)

Figures in NPR

Particulars	HCEL	Khudi	Nyadi	BPCSL	CHL	GEL	KEL	NHE
Revenue	174,951,938	81,255,605	592,045,728	-	-	-	-	1,467,821,194
Cost of Sales	(131,597,563)	(66,497,450)	(263,559,677)	(50,916)	-	-	-	(1,350,104,840)
Gross profit	**43,354,374**	**14,758,155**	**328,486,051**	**(50,916)**	**-**	**-**	**-**	**117,716,354**
Other income	5,486,989	29,531,117	78,348	15,499	-	230,591	2,747,750	12,775,184
Administrative and other operating expenses	(42,397,958)	(6,218,432)	(37,921,483)	(213,113)	(70,200)	(334,413)	(2,880,661)	(64,081,610)
Finance Income	5,211,752	-	379,777	1,193,494	44,738	11,438	427,050	1,397,842
Finance Costs	(1,179,397)	(3,181,962)	(483,763,107)	-	-	(10)	-	(61,821,987)
Profit from JVs	-	-	-	-	-	-	-	37,829,665
Profit Before Tax	**10,475,759**	**34,888,879**	**(192,740,415)**	**944,964**	**(25,462)**	**(92,394)**	**294,139**	**43,815,448**
Income Tax Expense								
Current tax	(2,316,526)	(9,830,034)	-	(236,362)	-	-	-	-
Deferred tax credit/charge	(482,074)	2,886,705	-	39	-	(7,580,773)	-	305,760
Net Profit for the year	7,677,160	27,945,550	(192,740,415)	708,641	(25,462)	(7,673,166)	294,139	44,121,207
"Other comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax)"								
i. Fair Valuation of Investment		18,900,000						-
ii. Remeasurements of defined benefit plans								(2,461,641)
iii. Income tax relating to items that will not be reclassified to profit or loss		(4,725,000)						615,410
Other comprehensive gain/(loss) for the year, net of tax	**-**	**14,175,000**	**-**	**-**	**-**	**-**	**-**	**(1,846,231)**
Total Comprehensive gain/(loss) for the year, net of tax	**7,677,160**	**42,120,550**	**(192,740,415)**	**708,641**	**(25,462)**	**(7,673,166)**	**294,139**	**42,274,977**
Basic Earnings per share - Rs.	52.14	33.27	(12.85)	7.09	(0.25)	(0.92)	0.03	31.62
Diluted Earnings per share - Rs.	52.14	33.27	(12.85)	7.09	(0.25)	(0.92)	0.03	31.62

List of Abbreviations

ADB- Asian Development Bank
AGM- Annual General Meeting
ALC- Assets and Liabilities Committee
Alt- Alternate
AMS- Asset Management System
APG- Advance Payment Guarantee
APP- Andhikhola Power Plant
ASAI- Average Service Availability Index
ASUI- Average Service Unavailability Index
BD&P- Business Development & Project
BoD- Board of Directors
BOOT- Build, Own, Operate and Transfer
BPA- Best Presented Accounts
BPCSL- BPC Service Limited
BU- Business Unit
CAIDI- Customer Average Interruption Duration Index
CAIFI- Customer Average Interruption Frequency Index
CBA- Collective Bargaining Agreement
CEO- Chief Executive Officer
CGR- Corporate Governance Report
CIT- Citizen Investment Trust
CKHP- Chino Khola Hydropower Project
CNI- Confederation of Nepalese Industries
CNTEC- China National Technical Import & Export Corp.
CODM- Chief Operating Decision Maker
COVID-19- Coronavirus Disease
CRO- Chief Risk Officer
CSR- Corporate Social Responsibility
CWIP- Capital Work In Progress
CXIG- Chengdu Xingcheng Investment Group Co. Ltd.
DA- Daily Allowances
DAM- Day Ahead Market
DCIM- Data Centre Infrastructure Management
DDC- District Development Committee
DoED- Department of Electricity Development
DoI- Department of Industry
DR- Disaster Recovery
DSRA- Debt Service Reserve Account
EDC- Energy Development Council
EIA- Environment Impact Assessment
EMS- Environment Management System
EPS- Earning Per Share
ERC- Electricity Regulatory Commission
FC- Finance Committee
FDI- Foreign Direct Investment
FNCCI- Federation of Nepalese Chamber of Commerce & Industries
FY- Fiscal Year
GEL- Gurans Energy Limited
GoN- Government of Nepal
GPA- Group Personal Accident
GWh- Giga Watt hour
HCEL- Hydro-Consult Engineering Limited
HHCPL- Himtal Hydropower Co. Pvt. Ltd.
HIDCL- Hydropower Investment and Development Co. Ltd.
HO- Head Office
HPL- Himal Power Limited
IBN- Investment Board Nepal
ICAN- Institute of Chartered Accountants of Nepal
ICH- International Centre for Hydropower
ICT- Information Communication Technology
IESC- Independent Environment and Social Consultant
IFC- International Financial Corporation
IFRIC- International Financial Reporting Interpretations Committee
IFRS- International Financial Reporting Standard
IMS- Inventory Management System
INPS- Integrated Nepal Power System
IPO- Initial Public Offer
IPPAN- Independent Power Producers' Association Nepal
IPPs- Independent Power Producers
IRD- Inland Revenue Department
ISO- International Organization for Standardization
JDMP- Jhimruk Downstream Mitigation Project
JPP- Jhimruk Power Plant
JV- Joint Venture
KEL- Kabeli Energy Limited
KHL- Khudi Hydropower Limited
LEDCO- Lamjung Electricity Development Company Limited
LMMHEP- Lower Manang Marshyangdi Hydroelectric Project
MAN- Management Association of Nepal
MARS- Mutually Agreed Retirement Scheme
MCC- Marsyangdi Cascade Committee
MCP- Marshyangdi Cascade Project
MKHP- Mugu Karnali Hydropower Project
MMHCPL- Manang Marshyangdi Hydropower Co. Pvt. Ltd.
MMHEP- Manang Marshyangdi Hydroelectric Project
MoE- Ministry of Energy
MoEWRI- Ministry of Energy, Water Resources & Irrigation
MoFE- Ministry of Forest & Environment
MoPE- Ministry of Population and Environment
MoU- Memorandum of Understanding
MRM- Management Review Meeting
MTCL- Marsyangdi Transmission Company Pvt. Ltd.
MTP- Marsyangdi Transmission Project
MW- Mega Watt
NEA- Nepal Electricity Authority
NEPSE- Nepal Stock Exchange Ltd.
NFRS- Nepal Financial Reporting Standard
NHA- Nepal Hydropower Association
NHE- Nepal Hydro and Electric Limited
NHL- Nyadi Hydropower Limited

NHP- Nyadi Hydropower Project
NIDC- Nepal Industrial Development Corporation
NMFA- Norwegian Ministry of Foreign Affairs
NORAD- Norwegian Agency for Development Cooperation
NPR/NRs. - Nepalese Rupees
NSA- Nepal Standards on Auditing
NTA- Nepal Tunnelling Association
NVVN- NTPC Vidyut Vyapar Nigam
OHSAS- Occupational Health & Safety Assessment Series
OMM- Operation and Maintenance Management
PDA- Project Development Agreement
PEEDA- People Energy and Environment Development Association
PG- Performance Guarantee
PPA- Power Purchase Agreement
PPE- Personal Protective Equipment
PPP- Public Private Partnership
PROR- Peak Run-of-River
QCBS- Quality and Cost Based Selection
QHSE- Quality, Health, Safety and Environment
QMS- Quality Management System
QYEC- Qing Yuan Engineering Consulting Co. Ltd.
RAS- Revenue Accounting Software
RC- Remuneration Committee
RCOD- Required Commercial Operation Date
REEP- Rural Electrification and Expansion Project
RMC- Risk Management Committee
ROR- Run-of-River
SAIDI- System Average Interruption Duration Index
SAIFI- System Average Interruption Frequency Index
SCIG- Sichuan Provincial Investment Group Co. Ltd.
SEBON- Security Exchange Board of Nepal
SEL- Shangri-La Energy Limited
SIA- Social Impact Assessment
SIC- Standard Interpretations Committee
SOP- Standard Operating Procedure
SPVs- Special Purpose Vehicles
SSF- Social Security Fund
SUP- Social Upliftment Program
TA- Travel Allowance
TAM- Term Ahead Market
TMS- Total Management System
UM2HEP- Upper Marsyangdi-2 Hydroelectric Limited
UMN- United Mission to Nepal
VA- Value Added
VDC- Village Development Committee
VPN- Virtual Private Network
VPs- Vice Presidents
WB- World Bank
WIP- Work In Progress

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