



Fiscal Year  
**065/66**

**BUTWAL POWER  
COMPANY LIMITED**

**Annual Report**



# Notice

## FOR THE 17TH ANNUAL GENERAL MEETING

*Dear Shareholder,*

As per the decision of the Board meeting held on November 29, 2009, the 17th Annual General Meeting of this Company is going to be held on following date, time and venue to discuss on the following agenda. You are kindly requested to attend or duly nominate your proxy in the General Meeting.

### DATE, TIME AND VENUE OF THE GENERAL MEETING

DATE: Poush 24, 2066 (January 8, 2010)  
VENUE: OFFICE OF THE COMPANY, BUDDHANAGAR, KATHMANDU  
TIME: 11.00 A.M.

### Agenda for Discussion:

1. To discuss the Board of Directors' Report and approval thereof.
2. To discuss the Audit Report, Balance Sheet, Profit and Loss Account and Cash Flow Statement for F/Y 2065/66 and approve them.
3. To appoint Auditor for F/Y 2066/67 and fix his remuneration as per the recommendation of the Audit Committee.
4. To approve 20% cash dividend as recommended by the Board of Directors.
5. To adopt a special resolution for issuance of 10% bonus shares as recommended by the Board of Directors.
6. To adopt a special resolution for amendment in the Memorandum of Association and Articles of Associations of the Company.
7. To adopt a special resolution for issuance of right shares in the ratio of 100:67
8. To elect a Director representing the public shareholders.
9. Any other business

### General information regarding General Meeting

1. The Shareholders' Register Book shall remain close for registration of share transfer from Friday, December 18, 2009 to Friday, January 8, 2010.
2. Any Shareholder desirous to nominate proxy should fill up proxy form as to nominate a person to represent all the shares held by him/her and the proxy form should be submitted to the Registered Office of the Company located at Buddha Nagar, Baneshwor at least 72 hours before i.e. January 5, 2010 at 11.00 a.m.
3. In the event of nomination of proxy for more than two persons, the proxy registered first shall be valid unless the matter for cancellation of such proxy is mentioned in the later registered proxy.
4. If a Shareholder nominating proxy attends him/herself in the general meeting through written notification, the proxy shall be cancelled. However, such notification should be given before close of attendance book and if not notified, the proxy will remain valid.
5. The attendance book of the general meeting shall remain open from 9.00 am to 1.00 pm on the meeting date. Arrangement for recording the attendance will be made based on the identification (shareholder) number and the Shareholders are requested

- to carry the document like share certificate, certificate of citizenship or license etc. compulsorily to identify him/herself.
6. In the event of shares are held by any institution or company, the person nominated by such institution or company may participate in the general meeting as shareholder.
  7. Any Shareholder desirous to enter the agenda for discussion under the any other business shall have to submit in writing to the Chairman of the Board of Directors at least seven days before of the general meeting.
  8. The Shareholder desirous to be a candidate of the Director, s/he should have held at least fifty shares in his/her name.
  9. The program for the election of the Director shall be as prescribed by the Election Officer.
  10. The proxy will be invalid if name of Shareholder, number of shares held and signature of the Shareholder are not matched.
  11. It is requested to contact in the registered office of the company at Buddha Nagar, Baneshwor, Kathmandu or NIDC Capital Markets Ltd., Kamal Pokhari, Kathmandu for other information.
  12. The Director's Election Directive can be obtained from the registered office of the Company by paying Rs.100. The information regarding election shall be published in the notice board of the Company in registered office and NIDC Capital Markets Ltd. on December 31, 2009 at 4.00 pm.

As per the instruction of the Board of Directors



Murali Prasad Sharma  
Company Secretary

# BOARD OF DIRECTORS' REPORT TO THE SHAREHOLDERS

## AT THE 17TH ANNUAL GENERAL MEETING

*Dear Shareholders,*

The world economy, which saw a meltdown last year, is striving hard, with the active interventions of governments, to return to normalcy. Recent months have shown signs that a reasonable stabilization and even slight upsurge has been reached. In addition to world economics, climate change and corrective actions to combat it are major concerns of all developed and developing countries.

Though, Nepal's economy is not yet much affected from the global economy meltdown, the internal political instability and an energy crisis has exacerbated the decline of national economy. Record low river flow in the dry season and delayed and light monsoon rains made it difficult to the hydroelectricity generation companies in Nepal for maintaining their generation commensurate with the installed capacity of their power plants.

The vision and strategic business interest of BPC is fully aligned with meeting the growing demand for clean energy. We hope that you will

be very proud to be associated with a clean energy initiative by investing in BPC. We are indeed grateful for your investment.

Despite numerous external challenges and unfavorable winter and pre-summer, the fiscal year (F/Y) 2065/66 was a successful year for BPC. The business units performed satisfactorily and we stand firmly on a path of growth.

The Board is pleased to report on the highlights of company's performance in the F/Y 2065/66. The financial highlights are as illustrated below.

Particulars	F/Y 2065/66	F/Y 2064/65	%
	NRs. in '000	NRs. in '000	
Income from the sale of electricity in bulk	375,103	372,522	0.70
Income from the retail sale of electricity and services	63,737	55,317	15.22
Income from engineering and consultancy services	28,108	18,894	48.77
Total operating income	466,948	446,732	4.52
Total operating expenses	156,148	147,685	5.73
Gross operating profit	310,800	299,046	3.93
Other income	160,034	199,007	-19.62
Administrative and other expenses	157,336	125,270	25.60
Net profit before appropriation	291,592	353,879	-17.60
Earnings per share in NRs.	34.75	42.18	-17.60
Net worth in million NRs.	1,417	1,294	9.50

## Performance review

The performance of the business units in the F/Y 2065/66 was as follows:

### 1. Generation business

Both Jhimruk and Andhikhola Power Plants operated efficiently despite the hydrological challenges and generated energy altogether 101.2 GWh.

The energy generated from 5.1 MW Andhikhola Power Plant was 36.67 GWh with the plant factor of 82.08%, which is 8.78% lower than last year's generation of 40.20 GWh.

The energy generated from 12MW Jhimruk Power Plant was 64.54 GWh with a plant factor of 61.4%, which is 3.95% lower than last year's generation of 67.19 GWh.

Reduction in electricity generation was due to decreased water flow in the dry months. The river water flow during the year has been lowest in the decade during dry months particularly in the months, Chaitra and Baisakh. The generation from the power plants when water flow was not abnormally low was satisfactory.

### 2. Distribution business

BPC's distribution business spread to four districts, Syangja, Palpa, Pyuthan and Arghakhanchi, continued to expand its distribution network and consumer base under the Rural Electrification Expansion Project. Over the year, 2653 consumers were added and 2305 consumers were converted from cutout category to the metered category.

BPC sold 13.35 GWh, energy to its consumers with an increase of 3.7% against the sale of last year's 12.95 GWh. AT&C loss was contained at 15.9%.

The reliability of the distribution system was maintained at 97%. BPC's distribution business, which started to cover rural areas in 1990 AD is focused on reducing losses, enhancing system reliability and achieving breakeven.

### 3. Engineering business

BPC's engineering business bettered its performance, earning Rs. 28.11 million against Rs. 18.90 million last year, and doubled employee productivity from Rs.160,864 per employee last year to Rs. 314,182 this year.

BPC completed six contracts successfully and acquired six more. It currently has eight contracts in hand and is considering projects in Bhutan and South Africa.

### Business restructuring

While BPC pursues generation & distribution of electricity, and engineering & consulting businesses, there is high potential for rapid growth of electricity generation and engineering & consulting businesses. The generation expansion has made headway through establishment of special purpose vehicles for the development of projects. BPC has decided to restructure its engineering and consulting business. To this effect, BPC acquired Hydro Consult Pvt. Ltd and merged its engineering and consulting business with it. BPC currently holds 75% of the shares in the restructured company and the holding will eventually increase to 80%. The company will be christened BPC Hydro Consult Ltd with the due approval of the Company Registrar's Office. This initiative will facilitate business expansion and capacity-building through strategic partnerships with multinational companies and grasping the growing global market.

### Board of Directors and Committees

There were some changes in representation in the Board. The tenure of Mr. Santosh Kumar Pradhan, the Director representing Public Shareholders, ended on 17 June 2009. Mr. Pradhan was reappointed to fill the vacancy until the 17th annual general meeting date. The resignation of Alternate Director Dr. K.B. Rokaya from Interkraft Nepal AS (IKN) was informed to the Board on 14 May, 2009. IKN has not yet nominated any Alternate Director. We would like to extend our sincere thanks to both Dr. Rokaya and Mr. Pradhan for their invaluable contributions to BPC during their tenure.

The Audit Committee played an important role in strengthening the financial governance in the Company. The Budget Committee assisted the Board by reviewing, monitoring and controlling the budget.

## Corporate Governance

BPC follows prudent corporate governance practices, including the disclosure of related party transactions and other relevant information in its Corporate Governance Report. In addition, the structures of the Board, the Audit and Budget Committees, the functions of these Committees, the credentials of Board and Committee members and the fees and allowance paid in the F/Y 2065/66 are all laid out in the Corporate Governance Report.

## Management

BPC is managed by a strong team of professionals led by CEO, Mr. Ranjan Lohar.

There were 315 employees, 285 male and 30 female, at the end of the F/Y 2065/66. The management expenses incurred in F/Y 2065/66 totaled NRs. 64,159,223, which is 19.9% higher than the last F/Y. The main reasons for the increase were business expansion and the raise in salaries necessitated by inflation in the country.

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

## Subsidiaries and Associates

The performance of the subsidiary and associated companies in the F/Y 2065/66 was as highlighted below:

### 1. Himal Power Limited (HPL)

BPC added to its 14.9% shareholding in HPL, which owns and operates the 60-MW Khimti I Hydropower Plant, when it purchased an additional 348,168 shares from GE Energy, Norway, and Alstom (Norway) AS, Norway, bringing its total shareholding to 16.88%. HPL registered a net profit of NRs. 1,580,513,545 in the F/Y 2065/66.

### 2. BPC Services Ltd. (BPCSL)

BPCSL continued to provide its operation and maintenance services to Khudi Hydropower Plant. BPCSL recorded a turnover of NRs. 7.022 million and a net profit of NRs. 1,384,564 in the F/Y 2065/66..

### 3. Nepal Hydro & Electric Ltd. (NHE)

NHE, the only hydro-mechanical and electro-mechanical equipment manufacturer in the country, recorded a turnover of NRs. 314 million\* and registered a net loss of NRs. 14,168,309\* in the F/Y 2065/66. The loss was due to the NRs. 14,811,036\* loss recorded by its joint venture CWE-NHE JV. NHE is expanding its market in both Nepal and Bhutan after the success of hydro turbine runner repair works of Chuka Power Plant. NHE recently bagged several World Bank-funded projects.

### 4. Khudi Hydropower Ltd. (KHL)

KHL, which owns and operates the 4-MW Khudi Hydropower Plant, sold NRs. 43.273 million\* worth of electricity in the FY 2065/66 but reported a loss of NRs. 36,438,442 \* because, flooding forced KHL to completely shut its plant from 11 Bhadra, 2065, to 15 Magh, 2065. The flood submerged the powerhouse equipments and severely damaged the penstock pipe, anchor blocks and other parts of the infrastructure. The plant is in continuous operation since put back in operation and is generating satisfactorily based on the water flow in the river.

### 5. Nyadi Hydropower Limited (NHL)

NHL, a special purpose company established to develop the 20-MW Nyadi Hydropower Project (NHP) is in the advanced stage of pre-construction activities, which include a hydraulic model study and preparing a detailed design. As of the writing of this report, BPC has invested NRs. 39.60 million in NHL as an equity investment. Once NHL signs the power purchase agreement (PPA) with Nepal Electricity Authority (NEA) and receives the construction license of the project from the Department of Electricity Development (DoED), construction of the project will begin.

## 6. Hydro Lab Pvt. Ltd. (HLPL)

HLPL provided specialized research and consulting services in hydraulics and sediment analysis to various projects, including model study of headworks and allied areas. HLPL's turnover was NRs 11.72 million\* in the F/Y 2065/66 and it recorded a net profit of NRs. 5,092,128\*.

## 7. Jhimruk Industrial Development Center Pvt. Ltd. (JIDCO)

JIDCO, a corporate social responsibility initiative of BPC, continued to provide trainings in various skills and enterprise development. JIDCO's turnover was NRs. 2.123 million in the F/Y 2065/66 and it reported a loss of NRs. 578,705.

## 8. Keton Hydropower Ltd. (KEHL)

KEHL, a special purpose company established to develop the 42-MW Marsyangdi-III Hydropower Project, has completed a feasibility study and is carrying out an environment impact assessment (EIA) study. Since the study revealed that it is not attractive to develop the project on the run-of-river model, KEHL has started a preliminary study to evaluate the project viability as a reservoir-type daily peaking project. BPC has invested NRs. 14.4 million in KEHL as an equity investment. Appropriate decision will be made on the project once findings are available.

## Projects under development

### 1. 9.4 MW Andhikhola Upgrading Project (AUP)

The AUP, which is located at Galyang, Syangja, is well underway. A memorandum of understanding for inter connection has been signed with the NEA. PPA negotiations with the NEA have been completed and signing thereof has been expected to be held by December 2009. The GoN has approved its initial environmental examination (IEE) report and the project has applied for a generation license at the DoED. Discussions with a consortium of local banks are in progress and International Financial Corporation (IFC) has agreed to provide half of the total debt financing of the project.

### 2. 9 MW Bhimkhola Hydropower Project (BHP)

The BHP is located at Bhingithe, Baglung. The feasibility study of the project has been completed and discussions with the NEA about PPA are underway. Since NEA did not approve the proposed power evacuation option first proposed, an alternative proposal has been submitted. The IEE of the project has been approved by the GoN.

### 3. 30 MW Kabeli -A Hydroelectric Project (KHP)

The GoN recently awarded KHP, which is located in Panchthar District, to BPC in a joint venture (JV) with Shangri La Energy Limited, SCP Hydro International Inc., Asia Pacific Power Tech, Ltd. and KHL. The project will be developed on build, own, operate and transfer (BOOT) basis with the arrangement of 20% equity contribution from the JV parties, 40% debt financing from local banks and remaining 40% debt financing from the World Bank funded Power Development Fund. Of the total equity portion of the project, BPC will have 54% equity holding. A project company is being established to develop the Project.

### 4. 93 MW Lower Manang Marshyangdi Hydropower Project (LMMHP)

BPC received a production survey license for the LMMHP, which is located at the southern part of Manang District. The feasibility study and field investigation works have now started.

## Business Environment

The GoN has declared its aim to generate 25,000 MW in 20 years and to achieve full electrification of the entire country within a couple of years. The business environment and investment climate in the country, however, are not congenial to support such an ambitious goal though efforts are being made to improve the situation.

The improvements in the existing policies and legal instruments, faster bureaucratic processes, more reliable interconnection facilities for the transmission of electricity, more cooperative local people and labor, a revised

\* Provisional

tariff rate and a facilitative government are the key factors expected to be in place in the days ahead. Initiatives are being taken jointly by Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and the Independent Power Producers' Association, Nepal (IPPAN) to improve Nepal's business environment and investment climate. BPC is an active participant in these development initiatives.

## Health, Safety and Environment (HSE)

HSE are the priority area for BPC. BPC's endeavors towards its employees are always directed to providing fulfilling work environment within the Company. BPC succeeded to minimize the accident by 50% in F/Y 2065/66 with the only three minor injuries.

BPC has adopted an Integrated Quality and Environmental Policy. The business units have been carried out the business activities in an environmental friendly manner. BPC celebrated the World Environment Day, 2009 by cleaning of Dhobi Khola bank in Kathmandu in association with the locals, and did tree plantation at Butwal Office.

## Industrial Associations and Employee Relations

BPC is associated with the FNCCI and the IPPAN.

BPC focuses on maintaining good relations between the management and the employees. It emphasizes on trained and dedicated human resources to meet the existing need and future growth of the Company. Several trainings were provided to the employees for their increased work efficiency.

BPC also gives priority for retaining the professionals in the Company.

The mechanism for addressing the issues, grievances and concerns of the employees has been further strengthened by appointing

an employee relation officer. By this initiative, the communication efficiency between the employees and the management is expected to further improve.

## Risk Management

The risk management is an integral part of business operations. A well laid preventive maintenance plan is in place to minimize the breakdown of the plant equipments. Special emphasis is given to mitigate the breakdown of major equipment and the resultant forced outages at Andhikhola Power Plant and to address the erosion of turbine parts at Jhimruk Power Plant. Sufficient quantities of spare parts are kept ready at all times at both plants. With the upgradation of Andhikhola Power Plant, the number of breakdowns of major equipment and force outage will significantly reduce.

BPC carries out timely repair and maintenance of its distribution lines for ensuring the reliability of its distribution system.

BPC's assets and risks are safeguarded with adequate Insurance coverage.

## Internal Control

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

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

## Statutory Audit

M/s Sundar & Co. audited BPC's books of accounts in the F/Y 2065/66. The auditor has issued an unqualified report on financial statement of the Company.

## Shareholders' Suggestions

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

## Transactions with Subsidiaries

All major transactions, which BPC undertook with its subsidiaries and associated companies, are disclosed in its financial statements for the F/Y 2065/66.

## Dividend

The Board has recommended a dividend of 20% of the paid-up capital and bonus shares of 10% from the net profit for the F/Y 2065/066. The applicable tax towards the bonus shares shall be deducted from the cash dividend. The proposed dividend is based on the dividend policy of maintaining steady return to the Shareholders.

## The Year ahead

In the F/Y 2066/67, the priorities are to develop the projects-in-hand and to expand and expedite its engineering business through its subsidiary, Hydro Consult Pvt. Ltd.

Construction of the Andhikhola Upgrading Project and the Nyadi Hydropower Project (20MW) are expected to begin and the Feasibility studies of Bhim Khola Hydropower Project and Marshyangdi III Hydropower Project will be revised and improved. Feasibility studies of the Lower

Manang Marsyangdi Hydropower Project and the Kabeli-A Hydroelectric Project will be taken up expeditiously. BPC intends to add 2400 new consumers to its distribution network under the Rural Electrification Expansion Program (REEP).

## Closing Remarks

We thank the members of the Board Committees, Management Team and all staff for their dedication and contribution towards the progress of BPC. We are grateful to the Government of Nepal, Nepal Electricity Authority, the Ministry of Foreign Affairs-Norway, USAID and other donor agencies, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors and others institutions and individuals who have contributed directly or indirectly towards the betterment of the company in the F/Y 2065/66.

We would also like to thank the shareholders for their confidence in us.

Thanking you.

On behalf of the Board of Directors



**Padma Jyoti**

Chairman

Date: January 08, 2010

# Brief Financial Statement for F/Y 2065/66

AS PER SECTION 84 OF THE  
COMPANIES ACT, 2006

Though, Nepal's economy is not yet much affected from the global economy meltdown, the internal political instability and an energy crisis has exacerbated the decline of national economy.

Record low river flow in the dry season and delayed and light monsoon rains made it difficult to the hydroelectricity generation companies in Nepal for maintaining their generation commensurate with the installed capacity of their power plants and BPC's power plants also could not generate the electricity at expected level. The fiscal year (F/Y) 2065/66 was a successful year for BPC despite those challenges. The financial highlights of the Company are as follows. The balance sheet and profit & loss account is attached herewith.

The generation of electricity has reduced due to the decreased water flow in the river. Over the year, 2653 consumers were added. Engineering business has improved its performance significantly.

The Company restructured its engineering and consulting business to headway the engineering business more effectively. To this effect, BPC acquired Hydro Consult Pvt. Ltd as to have holding of 80% ownership stake by it and merged its engineering and consulting business with that company. In addition to the expansion of the engineering and consulting business, this initiative is expected to facilitate for grasping the growing global market through building strategic partnerships with international companies.

BPC follows prudent corporate governance norms and values and developed practices. It prepares the Corporate Governance Report and publishes the same publicly.

Particulars	F/Y 2065/66	F/Y 2064/65	%
	NRs. in '000	NRs. in '000	change
Income from the sale of electricity in bulk	375,103	372,522	0.70
Income from the retail sale of electricity and services	63,737	55,317	15.22
Income from engineering and consultancy services	28,108	18,894	48.77
Total operating income	466,948	446,732	4.52
Total operating expenses	156,148	147,685	5.73
Gross operating profit	310,800	299,046	3.93
Other income	160,034	199,007	-19.62
Administrative and other expenses	157,336	125,270	25.60
Net profit before appropriation	291,592	353,879	-17.60
Earnings per share in NRs.	34.75	42.18	-17.60
Net worth in million NRs.	1,417	1,294	9.50

The performance of the subsidiary and associate companies was as follows:

- a. The Company purchased the shares of Himal Power Limited (HPL). The shareholding of BPC in HPL has now increased to 16.88% from 14.9%. HPL registered a net profit of Rs.1,580,513,545.
- b. BPC Services Limited (BPCSL) continued to provide its operation and maintenance services to Khudi Hydropower Plant. BPCSL recorded a net profit of NRs. 1,384,564.
- c. Nepal Hydro and Electric Limited (NHE) registered a net loss of Rs.14,168,309 due to loss in the joint venture project. However, NHE recently bagged several World Bank-funded projects.
- d. Khudi Hydropower Limited had to shut its power plant from August 27, 2008 to January 28, 2009 due to flood in Khudi Khola thereby recorded net loss of Rs.36,438,442. The power plant is in smooth operation. It has generated satisfactorily based on the availability of water flow.
- e. Nyadi Hydropower Limited has been incorporated to development the 20MW Nyadi Hydropower Project and processed the works. The construction of the Project is expected to start shortly.
- f. Hydro Lab Pvt. Ltd. (HLPL) has been providing research and consulting services in hydraulics and sediment analysis to various projects. HLPL registered a net profit of Rs.5,092,128.
- g. Keton Hydropower Limited (KeHL). a special purpose company established to develop the 42-MW Marsyangdi-III Hydropower Project, has completed a feasibility study, which revealed that it is not attractive to develop the project in run-of-river model. The evaluation of the project viability as a reservoir-type daily peaking project is being done.

The projects under development are in different stages. 9.4MW Andhikhola Upgrading Project is in advanced stage of construction start. The IEE of the 9 MW Bhimkhola Hydropower Project has been approved by the Government of Nepal. The preparations to sign the Project Development Agreement of 30 MW Kabeli-A Hydroelectric Project with the Government of Nepal are being done. Further, the feasibility study of the 93 MW Lower Manang Marshyangdi Hydropower Project has started.

Andhikhola Upgrading Project and Nyadi Hydropower Project are expected to go for construction in the F/Y 2065/66. The feasibility study of Bhimkhola Hydropower Project and Marshyangdi III Hydropower Project shall be revised. The feasibility study of Kabeli-A Hydroelectric Project and Lower Manang Marshyangdi Hydropower Project shall be expedited. 2400 consumers will be added under Rural Electrification Expansion Program.

The Board of Directors has recommended 20% cash dividend and 10% bonus shares of paid up capital from the net profit for F/Y 2065/66, to the 17th Annual General Meeting.

This brief financial statement is the summary version of the annual financial statements of the Company and the Board of Directors' Report. The auditor has issued an unqualified report on financial statement and profit and loss accounts of the Company. This brief financial statement is in line with the annual financial statements of the Company and the Board of Directors' Report.



**Ranjan Lohar**  
Chief Executive Officer



**Sundar Man Shrestha**  
Sundar & Co.  
Chartered Accountants

## BALANCE SHEET

As on 31 Ashadh 2066 (15 July 2009)

Particulars	F.Y. 2065/66 Rs.	F.Y. 2064/65 Rs.
<b>SOURCES OF FUND</b>		
<b>1 Shareholder's Fund</b>		
Share Capital	839,057,700	839,057,700
Reserve & Surplus	578,201,586	455,096,794
Deferred Income of KHP-I Preparation		
<b>Total Shareholder's Fund</b>	<b>1,417,259,286</b>	<b>1,294,154,494</b>
<b>2 Other Funds</b>		
Grant Aid in Reserve Funds	129,007,531	101,665,425
<b>Total Other Funds</b>	<b>129,007,531</b>	<b>101,665,425</b>
<b>TOTAL</b>	<b>1,546,266,817</b>	<b>1,395,819,920</b>
<b>APPLICATION OF FUND</b>		
<b>1 Fixed Assets</b>		
Gross Block	1,399,450,313	1,302,313,847
Less: Depreciation	634,110,823	576,571,468
<b>Net Block</b>	<b>765,339,490</b>	<b>725,742,379</b>
2 Capital Work in Progress	7,405,624	7,247,290
3 Investment in Share	683,549,761	477,857,609
<b>4 Current Assets:</b>		
Stocks	92,723,110	74,646,551
Debtors & Accounts Receivable	171,359,374	88,407,172
Cash in hand and at Bank	291,687,158	412,634,609
Current Work in Progress	35,748,997	29,943,848
Advance & Deposit Paid	210,651,487	170,447,176
<b>Total Current Assets</b>	<b>802,170,127</b>	<b>776,079,357</b>
<b>5 Less: Current Liabilities</b>		
Bank Loans	181,023,309	183,955,841
Creditors & Accounts Payable	434,050,026	356,933,880
Advance & Deposit Received	36,199,802	29,433,230
Provisions	66,660,049	25,548,342
<b>Total Current Liabilities</b>	<b>717,933,186</b>	<b>595,871,293</b>
<b>Net Current Assets</b>	<b>84,236,941</b>	<b>180,208,064</b>
6 Deferred Revenue Expenditure	5,735,001	4,764,578
<b>TOTAL</b>	<b>1,546,266,817</b>	<b>1,395,819,920</b>

  
**Ranjan Lohar**  
 Chief Executive Officer

  
**Sundar Man Shrestha**  
 Sundar & Co.  
 Chartered Accountants

## PROFIT AND LOSS ACCOUNT

For the year ended Ashadh 31, 2066 (July 15, 2009)

Particulars	F.Y. 2065/66 Rs.	F.Y. 2064/65 Rs.
<b>OPERATING INCOME</b>		
Electricity Sale to NEA	375,103,078	372,521,461
Electricity Sale to Consumers	55,697,120	49,166,032
Electricity Services	8,040,142	6,150,567
Consultancy Services	28,108,227	18,893,719
<b>Total Operating Income</b>	<b>466,948,566</b>	<b>446,731,779</b>
<b>OPERATING EXPENSES</b>		
Generation Expenses	88,491,333	82,514,398
Distribution Expenses	48,699,815	48,427,976
Consultancy Services	18,957,079	16,743,019
<b>Total Operating Expenses</b>	<b>156,148,227</b>	<b>147,685,393</b>
<b>GROSS OPERATING PROFIT</b>	<b>310,800,339</b>	<b>299,046,386</b>
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Administrative Expenses	64,159,223	53,508,586
Depreciation	61,872,552	55,102,939
Provision of Loss in Investment	21,491,294	6,868,973
Training & Technology Transfer Expense	1,900,554	2,543,678
Interest on Loan	7,912,682	7,245,699
<b>Total Administrative and Other Expenses</b>	<b>157,336,305</b>	<b>125,269,875</b>
<b>INCOME FROM OTHER SOURCES</b>		
Interest Income	11,272,109	16,495,059
Other Income	6,636,093	1,981,773
Depreciation Being Revenue Portion of Grant Aid	5,866,305	5,276,103
Dividend Income	104,842,701	156,894,170
Foreign Currency Exchange Gain	30,809,400	18,217,263
Gain on Sale of Assets & Scrap Materials	607,739	142,834
<b>Total Income From Other Sources</b>	<b>160,034,347</b>	<b>199,007,201</b>
<b>PROFIT (LOSS) BEFORE BONUS &amp; TAX</b>	<b>313,498,381</b>	<b>372,783,712</b>
Employees's Bonus	9,659,329	9,503,641
Provision for Corporate Tax	12,246,889	9,400,691
<b>NET PROFIT (LOSS) BEFORE APPROPRIATION</b>	<b>291,592,163</b>	<b>353,879,380</b>
<b>Profit &amp; Loss Appropriation Account:</b>		
Last years balance	306,396,794	222,805,066
Profit for this fiscal year	291,592,163	353,879,380
<b>Total</b>	<b>597,988,957</b>	<b>576,684,446</b>
Less: Proposed Dividend	(167,811,540)	(251,717,310)
<b>Total Dividend</b>	<b>(167,811,540)</b>	<b>(251,717,310)</b>
Prior years adjustment	(675,831)	(18,570,341)
<b>Balance Transferred to Balance Sheet</b>	<b>429,501,586</b>	<b>306,396,794</b>



**Ranjan Lohar**  
Chief Executive Officer



**Sundar Man Shrestha**  
Sundar & Co.  
Chartered Accountants

# Special Resolution

## FOR AMENDMENT IN THE MEMORANDUM OF ASSOCIATION

Existing Provision	Amended Provision	Reason for Amendment
<p><b>3. Objectives of the Company:-</b></p> <p>(1) The objectives of this company shall be as follows:</p> <p>(a) To identify the new projects regarding generation, transmission and distribution of electricity, survey and prepare them for implementation;</p> <p>(b) To generate electricity from water or other resources;</p> <p>(c) To transmit the electricity through the high and low voltage transmission lines and provide related service thereto;</p> <p>(d) To do the bulk trading of the electricity;</p> <p>(e) To provide direct electricity distribution service to the consumers;</p> <p>(f) To provide engineering consultancy services in the sector of water resources and electricity development;</p> <p>(g) To provide service for the construction, operation, management and maintenance of the power plant, distribution line and transmission line. ,</p> <p>(h) To incorporate subsidiary company or joint venture company for execution of the aforementioned objectives and to make investment therein;</p> <p>(i) To promote the industries related with the objectives of the Company and to make investment therein;</p> <p>(j) To carry out other works as are required and complementary for the attainment of objectives of the Company.</p>	<p><b>3. Objectives of the Company:-</b></p> <p>(1) The objectives of this company shall be as follows:</p> <p>(a) To identify the new projects regarding generation, transmission and distribution of electricity, survey and prepare them for implementation;</p> <p>(b) To generate electricity from water or other resources;</p> <p>(c) To transmit the electricity through the high and low voltage transmission lines and provide related service thereto;</p> <p>(d) To do the bulk trading of the electricity;</p> <p>(e) To provide direct electricity distribution service to the consumers;</p> <p>(f) To provide engineering consultancy services in the sector of water resources and electricity development;</p> <p>(g) To provide service for the construction, operation, management and maintenance of the power plant, distribution line and transmission line. ,</p> <p>(h) To incorporate subsidiary company or joint venture company for execution of the aforementioned objectives and to make investment therein;</p> <p>(i) To promote the industries related to the objectives of the Company and to make investment therein;</p> <p>(j) To carry out other works as are required and complementary for the attainment of objectives of the Company.</p> <p>(2) The Company shall proceed for implementation of the objectives mentioned in Sub-section (1) only after obtaining license or permit if it is so required pursuant to prevalent laws.</p> <p>(3) In case any license or permit is obtained, in relation to the objectives as mentioned in Sub-section (1), the copy of such license or permit shall be submitted to</p>	<p>It is expedient to amend for making provision to operate generation, distribution and engineering business related thereof through the different companies in accordance with the Hydropower Policy, 2001 and the Electricity Act registered in the Legislative Parliament and having under consideration thereof, the amendment has been proposed.</p>

Existing Provision	Amended Provision	Reason for Amendment
	<p>the Office within fifteen days of receipt or such license or permit.</p> <p>(4) The separate companies may be incorporated or the existing business of the Company may be operated through such companies under the prevalent laws for the attainment of the objectives as mentioned in Sub-section (1).</p>	
<p><b>4. Other activities to be carried out for attaining the progress in Company's objectives:-</b></p> <p>The Company shall perform following activities to attain its objectives:-</p> <p>(a) To apply before the Government of Nepal for getting license and obtain thereof which is required for carrying out of aforesaid objectives.</p> <p>(b) To make payment of the expenses incurred for promotion, incorporation and registration of the Company.</p> <p>(c) To sale shares to the general public by publishing the Prospectus as per the Companies Act.</p> <p>(d) To reserve preferential right of the existing shareholders and/or employees of the Company to purchase the shares while issuing new shares.</p> <p>(e) Write off of the property and reduce the share capital.</p> <p>(f) To appoint and dismiss the officers, employees and labors as needed for the operation of the Company and provide training, remuneration and other facilities to them.</p> <p>(g) To purchase or lease or make other arrangement of land as per needs for works carried out by the Company.</p> <p>(h) To open branch offices in different parts of the country.</p> <p>(i) To construct the offices, stores, workshops, residence and other facilities as per necessity for attaining the aforesaid objectives and own or lease them.</p> <p>(j) To purchase, import, take on lease, borrow and receive materials, vehicles, equipments, machine and parts thereof to control or/and own by Company itself.</p>	<p><b>4. Other activities to be carried out for attaining the progress in Company's objectives:-</b></p> <p>The Company may carry out the following activities to attain its objectives:-</p> <p>(a) To purchase the land, building, vehicles and necessary equipment as are necessary to the Company or take them on lease or hire and use.</p> <p>(b) To appoint necessary staff as are necessary in the Company and fix the terms and conditions of service.</p> <p>(c) To open bank accounts with banks or financial institutions and operate them.</p> <p>(d) To take necessary loan from the domestic or international banks and financial institutions with or without pledging its assets or issue debenture or take loan from otherwise.</p> <p>(e) To purchase shares and debentures in the name of the Company and sell them.</p> <p>(f) To submit application for obtaining license for the works to be carried out for attaining the objectives of the Company and receive the license.</p> <p>(g) To open branch office as per the need of the Company.</p> <p>(h) To work together with the other companies and institutions for attaining the objectives of the Company.</p> <p>(i) To incorporate Subsidiary Company and operate the existing business of the Company through such subsidiary companies if it is deemed necessary and appropriate.</p> <p>(j) To adopt necessary measures for the promotion and development of the subsidiary companies.</p>	<p>It is expedient to amend in accordance with the format prescribed by the Companies Act, 2006, the amendment has been proposed.</p>

Existing Provision	Amended Provision	Reason for Amendment
<p>(k) To reform and develop the Company's assets as per necessity.</p> <p>(l) To enter into agreement with other person, firm or Companies with view to boost profit.</p> <p>(m) To purchase or merge other firms or companies doing same business.</p> <p>(n) Sale of shares to foreign individual, firm, companies or organizations or/ and to carry out activities jointly.</p> <p>(o) To transfer rights over land, buildings, equipments and other assets of the Company to other person or subsidiary company by selling or any other methods.</p> <p>(p) To incorporate separate industry or subsidiary company to carry out Company's works or/and to close unnecessary or redundant works.</p> <p>(q) To collect load by issuing debenture or any other means.</p> <p>(r) To obtain loan from domestic or foreign person, firm, company or organization with or without giving Company's assets as pledge or guarantee.</p> <p>(s) To pledge or mortgage, exchange or make other arrangements of all or some parts of assets or rights of the Company for its benefit.</p> <p>(t) To open and operate bank account and make payments of the Company.</p> <p>(u) To invest available capital with aim to get benefit for the Company.</p> <p>(v) To issue, draw, accept, sign or endorse the cheque, hundi, bill and other negotiable instruments.</p> <p>(w) To provide loan and/or guarantee to others.</p> <p>(x) To carry out all kind of activities essential and useful to achieve the objectives of the Company.</p>	<p>(k) To carry out all other activities as are necessary and complementary for the attainment of the objectives of the Company.</p> <p>(l) To provide the assets and title of the Company in whole or part as collateral or guarantee or to exchange them or to manage them in other ways, in the best interest of the Company.</p>	
<p><b>5. Share Capital of the Company:</b></p> <p>a. Authorized capital of the Company shall be Rs. 1,500,000,000/- (Fifteen hundred million rupees) and this amount is divided into 15,000,000 (Fifteen million) numbers of shares in the rate of Rs. 100/- each.</p> <p>b. Issued capital of the Company shall be Rs. 1,400,000,000/- (Fourteen</p>	<p><b>5. Share Capital of the Company:</b></p> <p>a. Authorized capital of the Company shall be Rs. 8,000,000,000/- (Eight billion rupees). This capital shall be divided into 80,000,000 ordinary shares and preference shares of Rs. 100/- each.</p> <p>b. Issued capital of the Company shall be Rs. 1,690,000,000/- (One billion and six hundred ninety million rupees). This</p>	<p>It is expedient to increase the capital of the Company, the amendment has been proposed.</p>

Existing Provision	Amended Provision	Reason for Amendment
<p>hundred million rupees) and this amount is divided into 14,000,000 (Fourteen million) numbers of shares in the rate of Rs. 100/- each.</p> <p>c. Authority to issue ordinary shares or/ and preference shares or to issue both types of shares jointly shall be vested with board of directors.</p>	<p>capital shall be divided into 16,900,000 ordinary shares of Rs. 100/- each.</p> <p>c. The Company may raise capital through issuing shares to the public under the prevalent laws.</p>	
<p><b>7. Share sales:</b></p> <p>a. Company's shares will be given to the general public openly after publication of prospectus as per the Companies.</p> <p>b. Company's shares shall be given to foreign person, firm, company or organization under the prevalent laws.</p> <p>c. Sale of shares of the Company shall be done as per Securities Exchange Act, 2040.</p>	<p><b>7. The Issuance and Sale of Shares:</b></p> <p>a. The Company may increase its capital through right issue, further public issue and/or preference shares issue and/ or providing bonus shares through capitalization of its retained earnings. Provided that, in the event of right issue if the shareholder other than the public shareholders does not exercise his/ her right to purchase the shares, such shares may be sold to the remaining shareholders other than the public shareholders on proportionate basis as decided by the Board of Directors. If the public shareholders do not exercise their right to purchase such shares, those shares will be sold through auction.</p> <p>b. In the event of further public issue of shares, the company may reserve certain percentage of such shares to the people residing permanently in the project affected area and the village development committee or municipality and the employees of the Company or its subsidiary companies subject to prevalent laws.</p>	<p>It is expedient to make provision regarding the methods that may be adopted for sale and issue of shares to increase the paid up capital by the Company, the amendment has been proposed.</p>
	<p><b>7A. Types of Shares of the Company</b></p> <p>(1) The Company may issue both the ordinary shares and preference shares.</p> <p>(2) While issuing preference shares, the provisions relating thereto shall be as follows:</p> <p>(a) The total number of preference shares shall be as decided by the Board of Directors at the time of issue of such shares and the value of each shares shall be Rs. 100.</p>	<p>It is expedient to add provision regarding preference share, the amendment has been proposed.</p>

Existing Provision	Amended Provision	Reason for Amendment
	<ul style="list-style-type: none"> <li>(b) The preference shareholders shall not be entitled to participate in the General Meeting.</li> <li>(c) The preference shares shall not be converted into ordinary shares.</li> <li>(d) The preference shares shall be cumulative and redeemable.</li> </ul>	
	<p><b>7B. Payment towards Shares</b></p> <ul style="list-style-type: none"> <li>(1) The Company through the decision of its Board of Directors may call for payment against the shares in part or full as it deems necessary.</li> <li>(2) The shareholders shall be required to deposit the call money as in called for payment within the time as prescribed by the Company.</li> <li>(3) The provisions regarding call for payment, payment to be made within the prescribed time, request for extension of timeline for payment and extension thereof by the Company etc. shall be as prescribed in the Articles of Associations.</li> </ul>	<p>It is expedient to add provision regarding payment of shares, the amendment has been proposed.</p>

# Special Resolution

## FOR AMENDMENT IN THE ARTICLES OF ASSOCIATION

Existing Provision	Amended Provision	Reason for Amendment
	2 (k) <b>“Public Shareholder”</b> shall mean the shareholders who has purchased the shares of the Company issued to the public and this term shall also denote the employee who has purchased such shares and other who has purchased listed shares through the Stock Exchange.	It is expedient to define the public shareholder group, the amendment to add thereof has been proposed.
<p><b>7. Share Capital of the Company:</b></p> <p>a. Authorized capital of the Company shall be Rs. 1,500,000,000/- (Fifteen hundred million rupees) and this amount is divided into 15,000,000 (Fifteen million) numbers of shares in the rate of Rs. 100/- each.</p> <p>b. Issued capital of the Company shall be Rs. 1,400,000,000/- (Fourteen hundred million rupees) and this amount is divided into 14,000,000 (Fourteen million) numbers of shares in the rate of Rs. 100/- each.</p> <p>c. Authority to issue ordinary shares or/ and preference shares or to issue both types of shares jointly shall be vested with board of directors.</p>	<p><b>7. Par Value of Share:</b></p> <p>The par value of share of this Company shall be Rs. 100.</p>	It is expedient to amend in accordance with the format prescribed by the Companies Act, 2006, the amendment has been proposed.
	<p><b>7A. Lien on Shares</b></p> <p>The Company shall have lien or claim over the outstanding amount to be paid by the shareholders or the shares registered in the name of shareholders equivalent to the balance amount to be paid by the shareholders and the dividend to be distributed against thereof pursuant to the law.</p>	It is expedient to amend in accordance with the format prescribed by the Companies Act, 2006, the amendment has been proposed to add new provision.

Existing Provision	Amended Provision	Reason for Amendment
	<p><b>7B. Preference Share:</b> The provision regarding preference share shall be as follows:</p> <ul style="list-style-type: none"> <li>(a) The preferential shareholder shall receive dividend before the ordinary shareholder.</li> <li>(b) The dividend to be received by the preferential shareholder shall be fixed by the Board of Director before issuance of such preference shares.</li> <li>(c) The dividend to be received by the preferential shareholders shall be cumulative.</li> <li>(d) In the event of liquidation of the Company, the preferential shareholders shall be given preference while refunding the share amount.</li> <li>(e) The preferential shareholders shall not be entitled to participate and exercise the voting right in the General Meeting.</li> <li>(f) The preference share shall not be converted into the ordinary share.</li> <li>(g) While issuing the preference shares, the Board of Directors shall fix the redemption time of preference shares and issue them.</li> <li>(h) The provision to add premium in the payment on redemption of the preference shares has not been made.</li> </ul>	<p>It is expedient to add provision regarding preference share, the amendment has been proposed.</p>
<p><b>9. Share sales:</b></p> <ul style="list-style-type: none"> <li>a. Company's shares will be given to the general public openly after publication of prospectus as per the Companies.</li> <li>b. Company's shares shall be given to foreign person, firm, company or organization under the prevalent laws.</li> <li>c. Sale of shares of the Company shall be done as per Securities Exchange Act, 2040.</li> </ul>	<p><b>9. Issuance and Sale of Share:</b></p> <ul style="list-style-type: none"> <li>a. The Company may increase its capital through right issue, further public issue and/or preference shares issue and/or providing bonus shares.</li> <li>b. In the event of further public issue of shares by the Company, the shareholders purchasing such shares shall fall under the public shareholders' group.</li> <li>c. In the event of further public issue of shares, the company may reserve certain percentage of such shares to the people residing permanently in the project affected area and the village development committee or municipality and the employees of the Company or its subsidiary companies subject to prevalent laws.</li> </ul>	<p>It is expedient to make provision regarding the methods that may be adopted for sale and issue of shares to increase the paid up capital by the Company, the amendment has been proposed.</p>

Existing Provision	Amended Provision	Reason for Amendment
	<p><b>15 A. Provision regarding Forfeiture of Share:</b> The Company may forfeit the shares by fulfilling the procedures as prescribed by the Act.</p>	It is expedient to add provision regarding forfeiture of share, the amendment has been proposed.
	<p>22 (1) (h) Notwithstanding contained anything in the above clauses, in the event of recommendation of dividend declaration by the Board of Directors, it may recommend cash dividend or bonus shares or combination of both to the Annual General Meeting.</p>	It is expedient to add new provision that allows to declare the dividend and the bonus shares at a time, the amendment has been proposed.