

ANNUAL REPORT
2010/2011

CHILIME THE PIONEER



CHILIME HYDROPOWER
COMPANY LIMITED



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HIGHLIGHTS

Share issue and allotment completed for:

1. Project affected people - 10%
2. General Public - 14%

PPA signed with NEA for:

1. Rasuwagadhi Hydroelectric Project (111 MW)
2. Middle Bhotekoshi Hydroelectric Project (102 MW)
3. Sanjen Hydroelectric Project (42.5 MW)
4. Sanjen Upper Hydroelectric Project (14.8 MW)

Loan Agreement of amount NRs. 16.6053 Billion signed with EPF for above mentioned four projects.

CORPORATE PROFILE

Chilime Hydropower Company Limited (Chilime) was incorporated in 1995 with an objective of hydroelectricity generation through optimal utilization of resources within the country. Nepal Electricity Authority (NEA) holds majority ownership with 51% share holding. Remaining 49% shareholding is from general public including 10% equity ownership of local people.

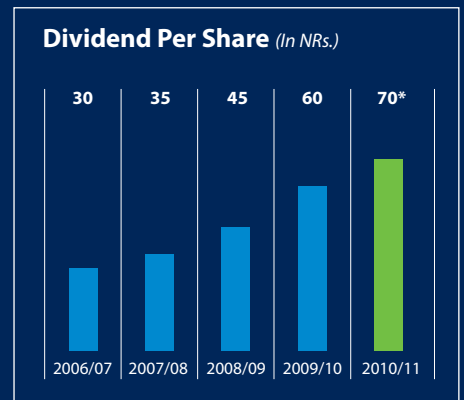
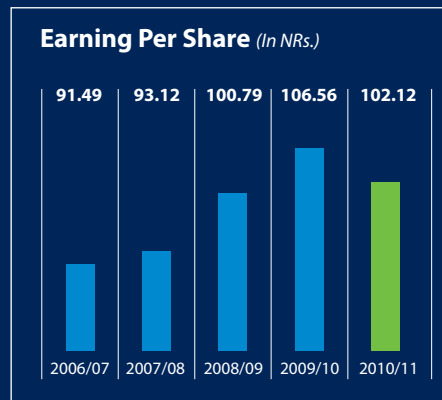
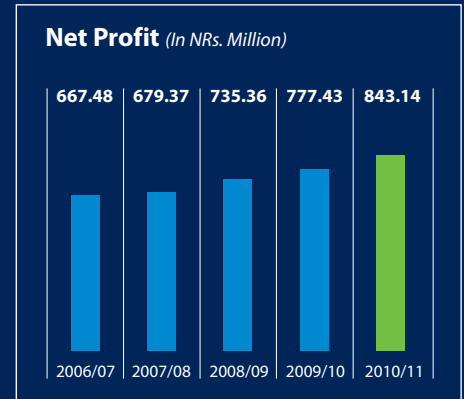
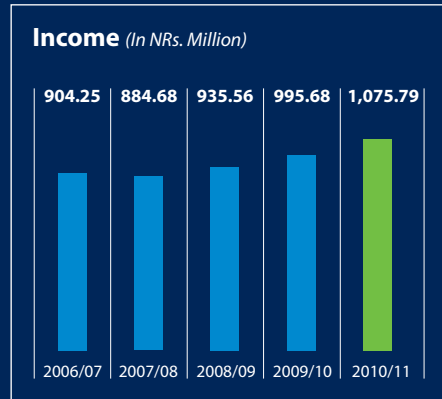
Chilime owns and operates 22.1 MW power plant located in Rasuwa district, 133 km North of capital city Kathmandu. It sales bulk electricity to NEA at the long term PPA price. The annual energy generation from the plant is about 150 GWh.

Chilime has established following three subsidiaries:

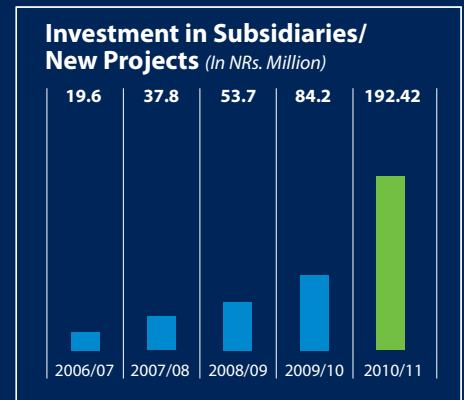
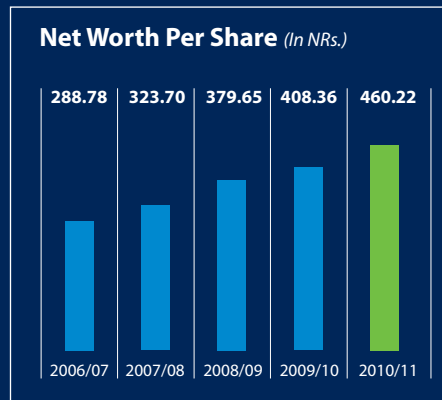
1. Rasuwagadhi Hydropower Company Limited
2. Madhya Bhotekoshi Jalavidhyut Company Limited
3. Sanjen Jalavidhyut Company Limited

Chilime, through its three subsidiaries, is developing four hydropower projects with aggregate capacity of 270.3 MW.

Financial Highlights 2011



* Including 40% Bonus Share



CORPORATE INFORMATION

Name: Chilime Hydropower Company Limited

Registration No: P.L. No. 250/052/053

Date of Registration: 31 October, 1995 (2052/07/14 B.S.)

Registered/Corporate office: Lazimpat-2, Kathmandu

PAN No: 500059898

Statutory auditor: Mahesh Kumar Guragain, M. Guragain & Associates, Kathmandu

Internal auditor: Bijaya Raj Ghimire, G&G Associates, Kathmandu

Stock exchange listing: Nepal Stock Exchange Limited (NEPSE), as CHCL

CORPORATE

□ **VISION**
"To be the largest public hydropower company in Nepal."

- **MISSION**
- To harness hydropower potential of the country for the benefit of the people at large by optimally utilizing the untapped resources and creating synergy with the private sector.
 - To ensure attractive and sustainable long term return to our shareholders through prudent and sound investment.
 - To create a competitive working environment with long term career prospects to our employees whereby they will nurture a culture to learn, grow and put their best effort to the growth of the company.
 - To maximize the public participation and empower them to have better living, and
 - To make the communities in which we live, work and serve, better places to be.

□ **VALUES**

Public Focus

We strive to maximize the involvement of public as shareholders ensuring them attractive and sustainable return.

Management Excellence

We are committed to ensure management excellence through innovation and adoption of the best practices both in execution and operation of the projects to maximize the efficiency and quality of the service.

Human Resource

We are committed to provide our employees opportunities to learn and grow to achieve their full potential.

Corporate Governance

We believe in being accountable, conducting business ethically and transparently.

Corporate Social Responsibility

We are committed to take social initiatives for the development of local areas in particular and the nation in general.

PHILOSOPHY



QUALITY MANAGEMENT OBJECTIVE

We are committed to develop and generate electricity from hydropower projects satisfying our stakeholders through continual improvement in its technology, process, human resource management and complying the statutory & regulatory requirement.

ENVIRONMENTAL MANAGEMENT OBJECTIVE

We are committed to produce our products in an environment friendly and responsive manner by implementing, maintaining and continually improving our environmental management system.



VISION 2020

To develop 500 MW hydropower projects in our portfolio by 2020.

STRATEGY

To develop hydropower projects by optimally utilizing domestic and foreign resources through its subsidiary companies, and in alliance with public utilities and other prospective private hydropower developers.

BOARD



Lila Nath Bhattarai
Director

Jayandra Shrestha
Director

Tulasi Ram Dhakal
Director

Teeka Ram B.C.
Chairman

OF DIRECTORS



Mahendra Lal Shrestha
Director

Badri Nath Roka
Director

Kul Man Ghising
Managing Director



CHAIRMAN'S

Dear Shareholders,

It gives me immense pleasure to share with you the achievements of our Company in the fiscal year 2010/11 and the past months of this fiscal year. This period has been a remarkable one both in terms of growth and profitability, which is the key focus of the Company.

Lack of growth means stagnation which will erode the value of shareholders wealth whereas growth without corresponding gains in revenue means a risk that a budding company would averse. It is a matter of great satisfaction that our company has been able to make significant headway on both the fronts. PPAs have been signed with NEA for four projects, namely, Rasuwagadhi Hydroelectric Project (111 MW), Middle Bhotekoshi Hydroelectric Project (102 MW), Sanjen Hydroelectric Project (42.5 MW) and Sanjen(Upper) Hydroelectric Project (14.8 MW). As a result, our portfolio of projects has crossed 292 MW. Loan agreements have been successfully concluded with EPF, thereby achieving the financial closure of these projects. Three separate subsidiary companies have been established to facilitate timely execution of these projects.

Our performance regarding profitability and shareholders' return has a proven record of being unparalleled among the hydropower companies in Nepal. The Company's net profit has crossed NRs.843 million in the last fiscal year. The continuous rise in net profit has enabled us to offer increased shareholders' return each year. This year, we have been able to propose a total of 70% returns including 40% bonus shares to our valued shareholders. Greater challenge lies before us to sustain this growth along with profit in the days to come.

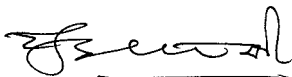
We are committed to our Vision 2020 to become a 500 MW Company. In line with our vision and mission, we are pursuing various initiatives for both short term and long term benefits to our shareholders, local people and the country at large. The successful issuance of shares to local people followed by immediate distribution of dividend earnings for them has strengthened confidence and support of local for the Company. Our model has successfully demonstrated that it is possible to

garner the support of local people for hydropower development by harmonization of the commercial objectives with social objectives. This model of development would be continued in upcoming projects too.

It gives me satisfaction to mention here that our Company has successfully met most of the targets, promises and Statements of Intent (SOI) expressed in previous Annual General Meeting (AGM). By virtue of our accomplishments, Chilime has been a popular name and is able to win the trust of financial sector and general investors, which is indeed a great achievement. On this 15th AGM, I would like to congratulate all for their respective help and co-operation on securing this achievement.

I am thankful to all shareholders for their overwhelming faith, support and confidence in the Company. We are indebted to Government of Nepal, especially Ministry of Energy, Ministry of Finance, DOED and NEA for their invaluable support and assistance. Our Company's achievements stem from excellent guidance, continuous support and co-operation of my colleagues on the Board, the auditors and legal advisors and issue managers. I am extremely grateful to the Board, Management team and employees of EPF for their support and confidence in our company by committing the required debt financing for our upcoming projects. I sincerely thank CIT, NIDC capital Market, NCM Merchant Banking and SEBON for their support to our Company. We praise the media for their positive and constructive coverage of our activities.

Our greatest assets are our truly exceptional teams of employees, who honor us every day with their diligence even in the most challenging times. I heartily applaud their energy, passion and commitment. I honor the commitment-to-excellence of the management team and have full faith on them in their ability to deliver exciting results in the year to come. Finally, I would, once again like to congratulate all for their efforts in Company's achievements and look forward to continued support and cooperation from all the stakeholders.



Teeka Ram B.C.
Chairman

Our greatest assets are our truly exceptional teams of employees, who honor us every day with their diligence even in the most challenging times. I heartily applaud their energy, passion and commitment.

MESSAGE

DIRECTORS'

Dear Shareholders,

I welcome all of you to this gathering of 15th AGM of Chilime Hydropower Company. We feel honored to inform you that the period under review has been full of achievements for the Company. The significance of this 15th General Meeting has further increased by the gracious presence of new shareholders following the successful issuance and allotment of shares to local people and the general public as per the commitment that we made in the 14th AGM. I am extremely pleased to report to this 15th AGM that loan agreement has already been concluded for 4 projects with aggregate capacity of 270.3 MW being developed by our three subsidiary companies. After this brief presentation of main highlights of the Company's key achievements, on behalf of the Board of Directors, I would like to present before this distinguished gathering, the annual report and the summary of audited statements of accounts for the FY 2010/11.

Financial Overview of FY 2010/11

We are pleased to inform the shareholders that Company's financial activities during the Fiscal Year remained encouraging like in the earlier fiscal years. The status of financial activities is given in the table.

The Company generated 150,110,000 KWh of electricity during FY 2010/11 against the target of 132,795,000 KWh. A total of 141,856,000 KWh of electricity (including excess energy) was sold to NEA as per the provisions of the PPA thereby earning Rs. 88,504,600 of revenues. In FY 2010/11, the Company succeeded in attaining the highest generation thereby setting a new record since the Project's Commercial Operation Date of 25 August, 2003.



REPORT

(in Rs. '000)

Particulars	FY 2010/11	Growth 2009/10	Amount (in NRs.)	Percentage (%)
Income from Energy Sales	885,046.00	886,565.00	(1,519.00)	(0.17)
Other Income	190,741.00	109,112.00	81,629.00	74.81
Gross Income	1,075,787.00	995,677.00	80,110.00	8.05
Cost of Sales	74,099.00	72,735.00	1,364.00	1.88
Administrative Expenses	52,084.00	39,195.00	12,889.00	32.88
Interest Expenses	-	-	-	-
Deferred Tax	247.00	1,584.00	(1,337.00)	(18.47)
Depreciation	106,218.00	104,732.00	1,486.00	1.42
Total Expenses	232,648.00	218,246.00	14,402.00	6.60
Net Profit Before Tax	843,139.00	777,431.00	65,708.00	8.45
Income Tax	-	-	-	-
Profit After Tax	843,139.00	777,431.00	65,708.00	8.45
Share Numbers	8,256,000.00	7,296,000.00	960,000.00	13.16
Earnings Per Share	102.12	106.56	(4.44)	(4.16)
Dividend per share (including Bonus Shares)	70.00	60.00	10.00	16.67
Retained Earnings Per Share*	41.86	46.56	(4.70)	(10.09)

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Company
Limited
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* average Retained Earnings Per Share is calculated to be Rs. 41.86 after provisioning Rs.174,486,000.00 from share premium and remaining from Retained Earnings for 40% bonus share and 30% cash dividend recommended for the FY 2010/11 .



The status of production and sales is shown below:

FY	Target (kWh)	Total Generation (kWh)	Excess Generation (kWh)	Total Sales (kWh)	Amount Received (Rs.)
2003/04	115,198,000	119,831,494	2,263,669	111,412,807	585,837,395
2004/05	132,795,000	134,309,206	2,646,070	124,486,883	690,902,201
2005/06	133,223,644	145,083,730	6,530,200	136,328,395	816,607,088
2006/07	132,790,000	147,619,730	7,188,325	139,650,818	903,540,792
2007/08	132,795,000	145,075,000	6,908,035	138,165,844	870,014,527
2008/09	137,585,000	146,220,000	11,148,000	142,127,000	883,446,000
2009/10	140,893,000	148,132,000	9,061,927	141,565,200	886,564,900
2010/11	132,795,349	150,110,000	10,075,735	141,865,000	885,046,000
Grand total	1,058,074,993	1,136,381,209	55,821,961	1,075,592,947	6,521,958,903

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Operating Expenses and Cost of Sales has increased by 12.73% in FY 2010/11 compared to FY 2009/10. This increase is attributed to increase in deferred expenses, staff salary and benefits, adjustment of assets and stocks, repair and maintenance of equipment, spare parts and cost of CSR activities, community and local development expenses, increase in insurance and other benefits. However, the Net Profit has increased in FY 2010/11 compared to FY 2009/10 owing to an increase in the interest under miscellaneous incomes.

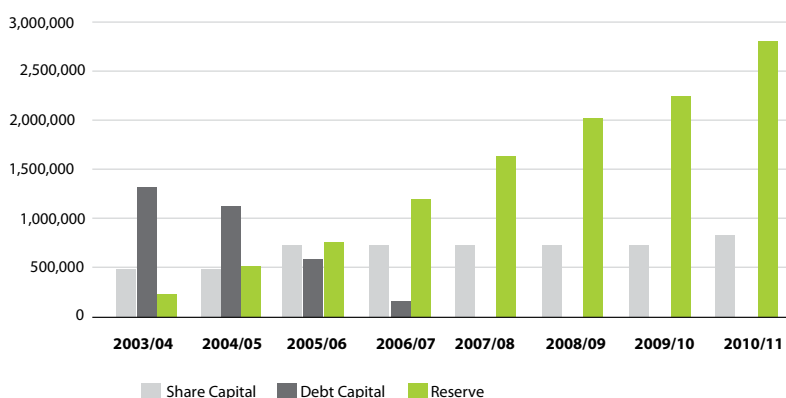
Earnings Per Share of the Company was Rs. 106.56 in FY 2009/10 whereas in FY 2010/11, it stood at Rs. 102.12. Against the dividend of Rs. 60 per share of FY 2009/10, cash dividend of 30% along with 40% bonus share have been

recommended for the paid-up capital of Rs. 960 million realized at the time of General Meeting of FY 2010/11. The Net Worth per share stands at Rs. 460.22 after capitalizing the bonus share of 40% recommended for FY 2010/11 and allocating Rs. 288 million for cash dividend.

Share Capital, Loan and Retained Earnings of the Company over the past 8 years are presented in the chart given below.

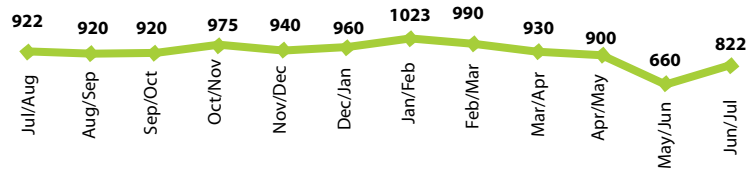
Against the Share Capital of Rs. 729.6 million and Reserve & Surplus of Rs. 2,253.128 million (after provisioning for dividend) of preceding FY 2009/10, Share Capital and Reserve & Surplus (after dividend & bonus share) for the FY 2010/11 has been posted at Rs. 825.6 million and Rs. 2,598.753 respectively. Company's share price in the share market for FY 2010/11 is given in the graph.

SHARE CAPITAL, RESERVE, AND DEBT CAPITAL



It is seen that share price of the Company slightly decreased to Rs. 822 at the end of June-July, 2011 from Rs. 922 in July-August, 2010. It is observed that market share price of Chilime has not decreased so much as that of other companies despite the bearish market trend attributed to the recession afflicting the country's economy. We believe that share price of the Company will appreciate in the coming days considering the achievements scored by the Company on different fronts including declaration of high dividend and bonus shares, issuance of shares to local people and general public, loan agreement with EPF launching of more projects and so forth.

SHARE PRICE IN FY 2010/11



Company's Associates and Upcoming Projects

SANJEN AND SANJEN (UPPER) HYDROELECTRIC PROJECTS

Works have been initiated to develop 14.8 MW Sanjen (upper) and 42.5MW Sanjen hydropower projects in cascade by using 600 meter head along the Sanjen river in upper catchment area of Chilime Hydropower Station. Sanjen Project will utilize the water released from the tailrace of Sanjen (Upper) Project. For the execution of these projects, Sanjen Jalavidhyut Company Limited (SJCL) has formally been registered at the office of the Company Registrar.

Authorized Capital and Issued Capital of Sanjen Jalavidhyut Company Limited is Rs. 3,750 million and Rs. 3,650 million respectively. Local bodies will be encouraged to participate in the construction and operation of these Projects. Chilime will have 38% share, NEA 10% and District Development Committee (DDC) and 18 Village Development Committees (VDCs) of Rasuwa will have 3% share in the share composition. Remaining 49 per cent share is allocated for the public, local people, employees of the project, employees of the promoters, and the employees and depositors of EPF. The PPA has already been signed between SJCL and NEA for the purchase and sale of power to be produced from these projects.

Land acquisition for the project site and access road has already been completed. Access road and employee quarters and office buildings in the project sites are under construction. The process for international competitive bidding is underway for selecting civil and electromechanical contractors. Likewise, preparation of bid document for hydro-mechanical installation is under progress. Environmental Impact Assessment (EIA) reports

of both projects have already been approved. Commercial operation of both the projects is expected to begin by the end of the year 2015.

The cost of these projects is estimated to be Rs. 7,243.20 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing these projects.

MIDDLE BHOTEKOSHI HYDROELECTRIC PROJECT

In order to develop the 102 MW Middle Bhotekoshi Hydroelectric Project near Araniko Highway in Sindhupalchowk district, Madhya Bhotekoshi Jalavidhyut Company Limited comprising of an authorized capital of Rs. 6,210 million and an issued capital of Rs. 6,000 million has been registered This Company will have share contribution of 38% from Chilime Hydropower Company, 10% from NEA and 3% from local investors of Sindhupalchowk district (1% each from Nepal Araniko Hydropower Company Ltd., Sindhu Investment Company Pvt. Ltd. and Sindhupalchowk Hydropower Company Ltd.). Remaining 49 per cent is allocated for the general public, local people, employees of the promoters of the project, the employees and depositors of EPF.

The Detailed Project Report of this project has already been completed. Land acquisition, EIA study, excavation of test adit tunnel, drilling work at surge tank and procurement of contractor and consultant under EPC model are targeted to be accomplished by the end of FY 2011/12. Commercial operation from this project is expected to begin by the end of the year 2016.

The cost of the project is estimated to be Rs. 12,283.30 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing this project.

RASUWAGADHI HYDROELECTRIC PROJECT

Rasuwagadhi Hydroelectric Project is situated in northern border of Rasuwa district and will have a capacity of 111 MW. Feasibility study and Detailed Project Report as well as Environmental Impact Assessment (EIA) of this project have already been completed.

Land acquisition, excavation of test adit, procurement of construction contract and consultancy services are planned to be completed in FY 2011/12. Road construction from Syafrubesi to Rasuwagadhi where the project headwork site is situated, is being constructed with the assistance of Chinese Government. This road will greatly facilitate the construction of this project. Commercial operation of this project is targeted to begin by the end of the year 2016.

RGHPCL with an authorized capital of Rs. 6,500 million and issued capital of Rs. 500 million, which will be increased later, was registered with the Company Registrar's office on 2 August, 2011. There is the provision of share participation from Chilime Hydropower Company-33%, NEA-18%, and remaining 49% equity contribution from general public, local people, employees of the promoters, and the employees and depositors of EPF. Like in Sanjen Hydropower Projects, it has a provision of 3% equity participation from DDC and all 18 VDCs of Rasuwa district.

The cost of the project is estimated to be Rs. 13,684.20 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing this project.

UPGRADING CHILIME HYDROPOWER STATION

Currently, the installed capacity of the Chilime Hydropower Station is 22.1 MW. Its design discharge is 8.25 cubic metres per second. However, the design discharge of the Sanjen Hydroelectric Project to be developed in its upstream cascade is 11.57 cubic metres per second. After the commissioning of Sanjen, about 3.32 cubic meters of clean water released from the tailrace of Sanjen will go waste for about five months. Thus, additional 10 MW could be generated by installation of one more Unit in Chilime Hydropower Station by utilizing the water discharged from Sanjen project. It will further

ease the operation of the existing powerhouse. Feasibility study for this project is going on with the aim of taking up the construction work if financial and technical viability is established and PPA with NEA could be accomplished.

Review of the First Quarter of the Current Fiscal Year

During the first quarter of the current Fiscal Year, the Company succeeded in selling the targeted 41,961 MWh of energy thereby earning Rs 271,485 thousand revenues. During this period, the capital expenses stood at Rs. 5,649 thousand while operation and maintenance cost amounted to Rs. 23,765 thousand as per the approved budget and program for the period.

Company's Commercial Relations

The Company has succeeded in projecting an exemplary identity in the hydropower sector because of the support it received from all the sectors. The exemplary achievement made by the Company is a matter to be proud of for all of us directly or indirectly affiliated with the Company. The Company has maintained good business relations, especially with NEA that purchases its power and the banks and financial institutions like EPF, CIT, Himalayan Bank Limited and Laxmi Bank Limited which provided loans for the construction of our project. Similarly, the Company has excellent rapport with Nepal Securities Board, Nepal Stock Exchange Limited, CIT, NIDC Capital Markets, NCM Merchant Bank Limited and other commercial and development banks. The Company understands the importance of good business relation with such institutions for further growth of the Company and will always endeavor to further cement the commercial ties with them in the future too.

Dividend

Chilime has earned a profit of Rs. 102.12 per share in FY 2010/11. Now after issuance of share to general public, Share Capital has reached to Rs. 960 million. Accordingly, the Board has recommended 30% cash dividend amounting Rs. 288.0 million and 40% bonus share. Required amount has already been provided to share

S.No.	Fiscal Year	Earning Per Share	Cash Dividend Per Share	Bonus Share Dividend	Retained Earning per share
1	2003/04	55.63	10	-	45.63
2	2004/05	78.3	20	-	58.30
3	2005/06	69.59	35	-	34.59
4	2006/07	91.49	30	-	61.49
5	2007/08	93.12	35	-	58.12
6	2008/09	100.79	45	-	55.79
7	2009/10	106.56	60	-	46.56
8	2010/11	102.12	30	40	41.86*

* after adjustment of cash dividend from Retained Earnings and Bonus share from Retained Earnings and Share Premium

Note: After adjustment of amount to be capitalized from Retained Earnings out of the recommended 30% dividend and 40% bonus share for FY 2010/11, the average Retained Earnings per share at the end of FY 2010/11 on total share of 8,256,000 comes out to be Rs. 314.77.

registrar to distribute approved dividend up to FY 2009/10. It gives me great satisfaction to report that the Company has been successful in declaring cash dividend of Rs. 1,988.80million over the period of 8 years from FY 2003/04 till FY 2010/11. Even after this and 40% bonus share, the retained earnings per share stood at Rs. 314.77 based on the total number of 8,256 thousand shares at the end of FY 2010/11. Dividend declared on yearly basis is shown in the above table.

It is a matter of pride that the Company has been able to declare about two billion of cash dividend and 40 percent bonus share over 8 years of successful operation. This, we believe, has fuelled further encouragement to all of us for investing more in hydropower sector.

Board of Directors' Comment on the Auditor's Report

We have provided financial statements of FY 2010/11 along with the Auditor's report. We would like to inform shareholders that there are no qualifying remarks or reservations from the auditor on the Auditor's report.

Corporate Social Responsibility

Under Corporate Social Responsibility (CSR), the Company has been providing a basket fund of Rs. 2.5 million annually through Chilime Jalavidyut Sarokar Samiti as contribution for electricity, drinking water, education, health, employment generation, irrigation, roads and in other areas

directly or indirectly affected by the Project.

With a view to enhancing the corporate relation with Kathmandu University (KU), the Company has extended financial contribution of NRs. 2.5 million to set up a turbine testing laboratory in the University premises. Likewise, it has provided Rs. 600 thousand to Saraswati Primary School, Chilime and Rs. 0.2 million for Rasuwa-Langtang Festival. Giving continuity to service under CSR, the Company has allocated annual budget of Rs. 20.7 million for community development including road infrastructure and the regular basket fund for the FY 2011/12 too.

Similarly, as a part of CSR and with a view to improving the quality of life of local people, Jonggang Hydropower Company has been set up to generate power from Bemdang Khola in a way not affecting the generation of Chilime Hydropower Station with the participation of local people residing in project affected villages like Gatlang, Goljhung, and Chilime VDCs. If this project is constructed with the initiative of Chilime, it is sure to have desirable impact on the quality of life of the people living in these VDCs and fulfill the social responsibility obligations of the Company. Hence, the decision has been taken to participate in this new company with share participation of up to 24% from the company.

Transactions Amongst Associated Companies

This Company has business transactions with its founder shareholder NEA as per the PPA. This

Company has a short-term investment in the NEA's power bond and other general transaction with NEA is confined to transactions related to lending facilities of the employees deputed to this Company by NEA.

Internal Control

Financial Administration Regulation 2065 has been set specifying the authority and limitations to ensure effective internal control. In order to enforce an effective internal accounting system, an Audit Committee comprising of Board Members has been formed as per Clause 164 of the Company Act 2063. Company's accounting system is being managed under the directives and monitoring of the Audit committee. There is a provision of internal auditing as well in the Company.

Total Management Cost of the Fiscal Year

Management cost of the Company in the FY 2010/11 was Rs. 52,084,973.19. The administrative and Operation and maintenance cost of the Power Station stood at Rs. 74,098,641.29.

The Year Ahead

The Company is set to promote and develop different hydropower projects with a view to establish itself as a leader in the hydropower sector of the country by optimal utilization of financial and technical resources available within the country and by mobilizing people's participation. In this context, the Company is moving ahead with the development of attractive hydropower projects with a total capacity of 270.3 MW, namely 111 MW Rasuwagadhi, 102 MW Middle Bhotekoshi, 42.5 MW Sanjen and 14.8 MW Sanjen (Upper) through its subsidiary companies. The Company has already signed PPAs with NEA for these projects. Loan Agreement has also been signed on 8 December, 2011 with the EPF following the MoU dated 7 June, 2011 for mobilizing the fund required for these projects. Besides, the Company aims at increasing its power generation capacity to more than 500 MW by 2020 by developing additional hydropower projects in collaboration with the private sector investors, NEA and other subsidiary companies.

We believe that the involvement of the Company in further development of hydropower projects will facilitate maximum utilization of company's reserve and surplus. Investment in such a profitable and productive sector is expected to enhance the value of our investment portfolio. This will, on one hand, help to maximize shareholders' returns and on the other hand, facilitate further development of hydropower sector partnering with the private investors. We believe that a giant leap forward can be accomplished with our efforts of participation from private sector, general public, local people and employees, which will eventually establish the concept of Public-Private-Partnership as a viable model for the development of hydropower sector. Such a model of partnership will be efficient vehicle for the fast-paced development of hydropower sector in Nepal.

Acknowledgements

We would like to thank the officials of Ministry of Energy, Ministry of Environment, Ministry of Forest, Ministry of Land Reforms, Home Ministry, Ministry of Defense, Department of Electricity Development and different agencies of Government of Nepal, who have been providing support and assistance directly or indirectly in the construction and development of the projects promoted by this Company and its subsidiaries.

We would like to thank all the people residing in and around the project sites of Chilime, Sanjen, Middle Bhotekoshi and Rasuwagadhi and the officials of the local bodies as well as the Concerned Committees for their goodwill and kind cooperation in the feasibility study, construction and operation of the completed projects and new projects. Likewise, we thank media personnel for assisting us directly or indirectly.

Our thanks go to the Chilime Hydropower Company Employee Union and employee unions of NEA for their cooperation in successful execution and smooth operation of the project.

We would also like to extend our thanks to the staff of the Company who have been actively involved in bringing the Company and projects under construction to the present state. We

would also like to extend our thanks to all those who have been providing support and assistance directly or indirectly in the operation, management, construction, maintenance and new project study from the time of establishment of this Company. We wish to continually receive cooperation and support from them as before.

We would like to thank CIT, NIDC Capital Markets Ltd. and its subsidiary company NCM Merchant Bank Limited who have successfully taken up the responsibility of share issue and sales manager of the Company and successfully accomplished share issue and allotment works for the residents of Rasuwa district and general public. We thank CIT for their patience in managing the collections and dividend distribution. Our thank goes to management team of Mega Bank Nepal Ltd. and Janata Bank Ltd. and their staffs for their roles in loan disbursement and in collecting share amount.

We would like to extend our heartfelt thanks to Nepal Securities Board, Office of the Company Registrar, Nepal Stock Exchange Limited, and CIT that has provided share registrar service to the Company and successfully managed the AGM.

Our especial thanks go to the Chairman, ex-Chairman, Board members, management

team, staff and employee unions of Employee Provident Fund for their support and confidents in our company by committing the required debt financing for our upcoming projects, which has paved the way for moving ahead with the execution of the Sanjen, Sanjen Upper, Rasuwagadhi and Middle Bhotekoshi projects. Similarly, we thank the financial institutions and banks who have always supported us in our financial management.

Similarly, we thank the NEA Board of Directors and concerned officials for their efforts in concluding PPAs in time.

Finally, we would like to express our sincere gratitude to all the shareholders for their continuous support, co-operation, goodwill and trust in the Company and its Board of Directors.

Thanking you,

On behalf of the Board of directors

Teeka Ram B.C.
Chairman



MANAGING



DIRECTOR'S STATEMENT

It is a moment of great pleasure for me to present the performance and activities of Chilime on this historic event of fifteenth AGM. The year 2010/11 was record setting one for Chilime in terms of new project development initiatives, share issue and allotment, dividend distribution, energy generation and net profit earned.

Successful conclusion of allotment of shares to project affected people and general public was a major highlight of the past fiscal year's performance. We dealt with utmost care and concern for the resolution of the long-standing local-ownership issue and other grievances of project affected people, with the result that we were successful in resolving the conflicts to the satisfaction of all the parties concerned. It has boosted the morale and confidence of our team and has helped a lot in creating amenable environment for growth and transformation of the Company.

Another highlight of the past year's achievement was the conclusion of PPA with NEA for Rasuwagadhi, Middle Bhotekoshi, Sanjen and Sanjen(Upper) Hydropower Projects. Following the PPAs, Loan Agreement was inked with EPF. Conclusion of Loan Agreement

was a significant event as it effectively settled financial arrangement for the four projects bringing us nearer to start of the construction of these projects. Three subsidiary companies, namely, RGHPCL, MBJCL and SJCL have already been established for speedy implementation of the said four projects.

Operational Performance

Chilime Hydropower Project has greater operational flexibility due to robust civil structures and efficient generating equipment. In the year under review, Chilime delivered a total of 150.110 GWh energy to NEA against the annual target of 132.795GWh, registering an increase of 1.34% over the previous year's generation figure of 148.132 GWh. Incidentally, this year's generation records the highest over the last eight years of commercial operation of Chilime Hydropower Project. This record setting generation was not an event of chance, but was the result of careful planning and assiduous management. Chilime was successful in delivering 13.8% (18.33GWh) excess energy of which 6.22% (8.26 GWh) was delivered to NEA free of cost and remaining 7.58% (10.07GWh) was delivered at 50% of the price. Based on the above generation figure, the plant load factor of the Chilime

The year 2010/11 was record setting one for Chilime in terms of new project development initiatives, share issue and allotment, dividend distribution, energy generation and net profit earned.

Hydropower Station is calculated to be 77.54%. The plant outage was kept at minimum level with availability of 96.77%.

Financial Performance

Chilime has been able to maintain consistent and sustained growth trajectory in its financial performance over the years. In the FY 2010/11, the total revenue was NRs.1,075.787 million with an increase of 8.05% over previous year figure of NRs. 995.677 million.

During the year under review, Chilime has made net profit after tax and before bonus of NRs. 843.139 million with an increase of 8.45% over previous year figure of NRs. 777.431 million. This is the highest recorded profit earned over the last eight years of operation. This growth is tied up with sales. To keep the sales growing, we need to have more viable projects in our portfolio. Accordingly, we are pursuing a strategy of bringing more viable projects into the fold of our portfolio. Similarly, our efforts are focused on efficient plant operation with minimal outages and reduction in O&M expenditure by optimal utilization of available resources.

Our Company has earned a great deal of reputation and respect in the market and this is a matter of pride for all of us. It is our collective responsibility to take performance further to a higher level in the coming days and preserve the hard earned position of the Company in the market.

Maximizing Return to Shareholders

How best to maximize values for our shareholders - is what concerns us the most. We have been able to award more dividends year after year. We have adapted such dividend policy that gives maximum return to our shareholders. We have recommended 40% bonus shares and 30% cash dividend for the FY 2010/11. In the share market, where most of the enlisted companies' prices are seen falling down, Chilime's share price remained consistently stable – this is a matter of great satisfaction for us.

Business Expansion and Organizational Strengthening

In conformity with our business strategy, three sister organizations, namely, RGHPCL, MBJCL and SJCL have been established to develop four hydropower projects. Chilime has major shareholding in each of these sister companies. Our Company is now strategically positioned to capitalize opportunities emerging in hydropower sector. We are working on institutional strengthening activities with a view to effectively managing the expansion strategies. Accordingly, we are in the process of deploying professional consultants to streamline our organization consistent with the growth strategy.

Electricity Crisis & Chilime

In the context of "electricity crisis" announced by the Government, hydropower development has been considered as the highest priority area in national development agenda. Accordingly, Government has declared its commitment to add 2,500 MW capacity by next five years to improve the supply situation in the country. In line with this national agenda, Chilime is forging ahead to contribute a total of 270.3 MW capacity addition in the national grid by the end of year 2016. The four projects under implementation by Chilime have also been highlighted and are included as priority projects in the budget speech of FY 2011/12. This has strengthened our belief that we will have full support from the Government and concerned agencies to complete these projects within the schedule. Furthermore, we have also initiated studies to add more projects to Company's portfolio.

Empowering Local People

Chilime has taken bold initiatives to empower rural people of the project area. We have been able to convince financial institution in extending credit facility to the rural poor for purchasing the Chilime shares allocated to local public. Out of total shares, 10% or 960 thousand shares have been allotted to local people covering 18 VDCs in Rasuwa District. As a result of this measure, each household in Rasuwa district, including financially

excluded and deprived population, now, is holding entitlement to the Company. They will, for the first time be, electing their representative to the Board thereby providing them opportunity to play key role in decision making of the Company. I am hopeful that the election for Board Directors in this AGM will provide us an enterprising board member from local community. Similarly, with an objective to support the income generating activity of the local people, Chilime is extending helping hand in establishment of small Hydropower Company to develop 1MW hydropower project in Bemdang Khola in Chilime.

Fund Management and Investment

The main source of fund for the Company is the revenue from energy sales, share premium and the interest income from reserve and surplus. Last year, the banking sector was afflicted with liquidity crisis. Chilime utilized the opportunity to earn more revenue from its reserve funds by management of prudent trade-off between the interest rate and risk associated with the depositor bank. Efficient and robust fund management was really a challenging task in a volatile financial market. However, we have been able to manage our fund efficiently to get maximum return with minimum risk level. Chilime has also made long term investment on NEA's Power Bond which will mature on mid-April 2013.

Chilime's ultimate policy is to make investment in the hydropower projects through its subsidiary companies. We have already invested NRs.192 million in three subsidiary companies. About NRs. 820 million is earmarked for investment in these Companies for this year. Our reserve and upcoming earnings from our business will be enough for investment in our committed four projects without compromising dividend payout in future. The investment will be made as and when required basis so that our fund can earn more interest income.

Focus on Operational and Organizational Efficiency

With rapid expansion of hydropower business, hydropower industry is facing a big challenge in retaining and recruiting the trained and high skilled manpower. Chilime is also not immune to this problem. Therefore, we are taking measures in developing efficient and effective human resource management policies to ensure maximum output with limited resources. We are also preparing to introduce modern well proven software packages related to MIS to take advantage of the best industry practices and to manage data efficiently for better and quick decision making. We believe that our efforts and initiatives will establish ourselves as a modern organization with value for time and money.

Corporate Social Responsibility

Chilime is also pioneering rural development as a part of CSR activities. We are involved in various initiatives in rural development activities directly and indirectly by sponsoring and co-sponsoring these activities in the past. In this context, our focus will be in promoting entrepreneurship development among the rural youth and creating employment opportunities and also encouraging them for taking up self-employment activities. Participation in development of Bemdang Khola SHP promoted by the local is one of such initiatives undertaken by the company. Chilime

Government has declared its commitment to add 2,500 MW capacity by next five years to improve the supply situation in the country. In line with this national agenda, Chilime is forging ahead to contribute a total of 270.3 MW capacity addition in the national grid by the end of year 2016.

MANAGING DIRECTOR'S STATEMENT

will continue such activities in supporting rural development in future in a systematic and planned approach in consultation with local communities.

Corporate Governance

We are committed to follow good governance principles including protection of shareholders rights, equitable treatment of all shareholders and disclosure and transparency of the company's performance and activities. We believe that our endeavors in this regard will enhance Company's credibility and help the Company achieve greater success in line with corporate vision.

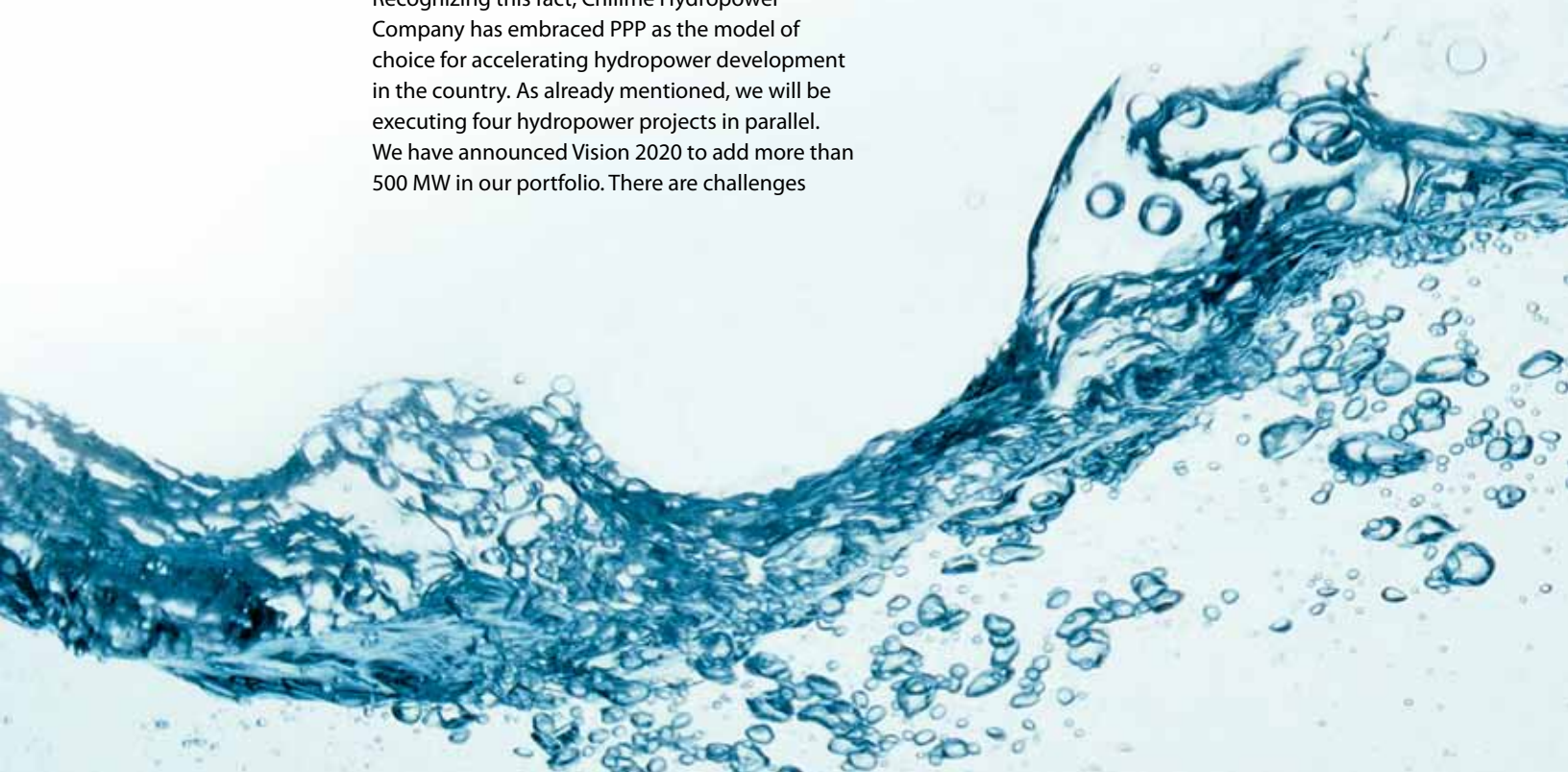
The Way Forward

Hydropower is a capital intensive project which requires huge capital outlay. It is not possible to manage the required fund by Government or private sector alone. The Government has announced the vision to develop 2,500 MW in next five years, 10,000 MW in next ten years and 25,000 MW in next twenty years. Public investment will play a crucial role in realization of this vision. Neither the domestic private sector nor the Government alone can achieve these goals. The business environment for FDI is still not favorable. Under these circumstances, Public-Private-Partnership (PPP) model offers veritable solution for hydropower development in the country. Recognizing this fact, Chilime Hydropower Company has embraced PPP as the model of choice for accelerating hydropower development in the country. As already mentioned, we will be executing four hydropower projects in parallel. We have announced Vision 2020 to add more than 500 MW in our portfolio. There are challenges

ahead, and at the same time, enormous growth opportunities both for Chilime team and its shareholders. We are committed to contribute to national economic development and create value for our shareholders. I am confident that we will be bringing more exciting news for our shareholders in the days to come.

Acknowledgement

I wish to take this opportunity to thank our valued shareholders for their continuing support and faith. I am grateful to the Chairman and the Board for their guidance and support without which it would have been difficult to reach where we are today. I would express my deep appreciation to our management team and employees for their hard work and contributions. I am extremely grateful to the Employee Provident Fund Board, Management Team and Employee Unions for their support and confidence in our company by committing the required debt financing for our upcoming projects. Our deepest gratitude goes to Government of Nepal, Ministry of Energy, Department of Electricity, Ministry of Finance, other concerned Ministries and NEA for their continuous encouragement, patronage and support. The media has always been helpful to us in disseminating factual reports about our Company- I thank them for this and I wish to have the same support in future also. I sincerely



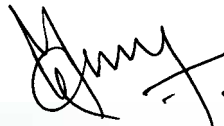
appreciate the kind support of CIT, NIDC capital Market, NCM Merchant Banking, NEPSE and SEBON, auditors, contractors, vendors, suppliers, associated organizations, and the investor communities for bestowing faith on us and in helping us move forward.

My special thanks go to the Employee Union of the Company and Employee Unions of NEA for their cooperation in successful execution and smooth operation of the projects.

My sincere thanks go to the management team and staffs of Mega and Janata Banks for their patience and support during hard times of share issue to local public.

With the continued supports and patronage from all stakeholders, we are confident that our Company will be able to scale greater heights of success in near future.

Before closing, I once again like to express our commitment to do the best to meet everyone's expectations and would request everyone to extend helping hand to us so that we can make each year better than the last.



Kul Man Ghising
Managing Director



MANAGEMENT



Prashant Mandal
Deputy Manager

Umesh Bhattarai
Assistant Manager

Madhav Prasad Koirala
Managing Director
Rasuwagadhi Hydropower
Company Ltd.

Narayan Prasad Acharya
Account Officer

Milap Bahadur Pande
General Manager
Sanjen Jalavidhyut
Company Ltd.

TEAM



Kul Man Ghising
Managing Director
Chilime Hydropower
Company Ltd.

Saroj Adhikari
Administrative Officer

Prakash Man Shrestha
Managing Director
Madhya Bhotekoshi Jalavidhyut
Company Ltd.

Raj Kumar Balal
Plant Manager
Chilime Hydropower
Company Ltd.

Bidur Bdr. Dhungana
Account Chief and
Company Secretary

BUSINESS



OPERATION

FINANCIAL PERFORMANCE

The total revenue was NRs.1,076 million with an increase of 8.05% over previous year figure of NRs.996 million. Out of total revenue, NRs.885 million (82.27%) was from bulk electricity sales to NEA, and NRs.191 million (17.73%) was from other incomes.

Operating expenses increased by 6.6% from NRs. 218 million in FY 2009/10 to NRs. 233 million in FY 2010/11.

During the year under review, Chilime has made net profit after tax and before bonus of NRs. 843 million with an increase of 8.45% over previous year figure of NRs. 777.431 million. This is the record high profit earned over the eight years of operation.

Chilime has made a total investment of NRs. 192 million in its three subsidiaries namely, Rasuwagadi Hydropower Company Ltd, Madhya Bhotekoshi Jalavidhyut Company Ltd. and Sanjen Jalavidhyut Company Ltd. for preliminary development works of the projects under these companies. This investment amount has been converted to the equity investment of Chilime in the respective companies.

Net Worth

The total net worth of Chilime stands at NRs.4,096 million before 30% cash dividend. After the cash dividend, the total net worth will stand at NRs. 3,808 million which will equivalent to NRs. 460.22 per share. There was a value addition of NRs. 41.86 per share to the shareholders' worth during the year under review. The cumulative return of each share from the first year of commercial operation to date is NRs. 305 which is more than three times of its investment.

Market Capitalization

At the end of the fiscal year 2010/11, Chilime's share price stood at NRs. 822.00 per share and total market capitalization at NRs. 5,997.31 million (as on 14-July-2011, last date of transaction). Share transaction volume in NEPSE shows consistent faith and belief from investors towards Chilime. Its share price was stable even in the turmoil situation in share market.

Market Capitalization as on 14-July-2011

	(NRs. in million)
Total Market Capitalization	3,23,484.34
Market Capitalization of Hydropower Industry	13,550.98
Market Capitalization of CHPCL	5,997.31

The percentage Market Capitalization of Chilime is 30.68% of hydropower industry and 1.85% of total share market.

PLANT OPERATION

Chilime Hydro power plant has very efficient electro-mechanical equipment and robust civil structures having good flexibility in operation. As a result, the plant was able to generate 13.8% excess energy in addition to the deemed energy (132.795 GWh) as per the PPA signed with NEA. The plant was successful in delivering chargeable deemed energy 131.78 GWh, chargeable excess energy of 10.07 GWh and free excess energy 8.25 GWh. Based on these generating figures, the calculated Plant Load Factor was 77.54 % and the plant outage was kept at minimum level with total availability of 96.77%

The estimated available capacity of the plant for the year was 155.93 GWh. The delivered energy to NEA was 150.11 GWh and Internal consumption including station load was 0.88 GWh. The total energy for outage was 4.94 GWh out of which 2.26 GWh was Maintenance Outage, 0.39 GWh Forced Outage and 2.29 GWh NEA Outage.

very low (5 MΩ, 10 Minute Reading) in 3 March, 2010. Then the condition of the generator was regularly monitored and attempts were made to increase IR values using different methods like external heating of winding (Blowing Hot air using blowers, fan heaters and the use of Halogen Lamps), Sustained Short Circuit Heating etc. The IR values showed some

Chilime
Hydropower
Company
Limited
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2010/11



Based on the above outage figure, the availability of the Plant was calculated to be 96.77% while the individual availabilities of Unit-1 and Unit-2 were 95.69% and 97.86% respectively. Lower value of availability for Unit-1 is due to the fact that it remained out of operation for longer duration for sustained short circuit heating and IR measurement of the generator stator coils.

The problem in the generator unit-1 was first detected when IR value of stator winding was found

improvement after each heating and then again dropped when brought in operation.

As per the recommendation of consultant - Mr Nima Tshering Bhutia, the partial Discharge Test in both units of Generators was carried out by High Voltage Partial Discharge (HVPD) Limited, Manchester, UK in February 2010. The main purpose of the partial discharge test was to assess the condition of stator winding insulation of both Generators. The testing involved analyzing the

signals from HFCT sensors using HVPD Long-shot machine. The results stated that the stator insulation in these two generators is not under threat of imminent failure in the short term from the PD activity. It also recommended that due to possible moisture ingress tracking and surface damage should be looked for in particular in Unit 1. Since then HVPD Surveyor with high pass filter is being used for regular monitoring of PD activity in the windings.

After completion of Partial Discharge Testing, moisture leakage points of Cooling Radiator inside the generator unit-1 were examined and sealing work was carried out. In addition, de-humidifiers were installed inside the Generator casing of both units. Due to comprehensive checkup inside generators and reduced humidity level inside generator unit-1 by using de-humidifiers, a significant increase in the Insulation Resistance (IR) values has been achieved as per the standard recommended by manufacturer. The insulation

Turbine was replaced, transformer oil of all single phase transformer banks were filtered by maintaining required level of temperature and other necessary repair/maintenance works were done. The repair work of replaced Pelton runner is in progress and is anticipated to be completed within first six months of Fiscal Year 2011/12.

Sediment in water caused wearing out of needle tips and seat rings of Unit-2 leading to increase in pressure compensation at the Main Intake Valve. Therefore, they were replaced by repaired ones.

Other Maintenance Works

Damaged roof plate and guide plates of both units were maintained to be at smooth running condition by welding them properly. Transformer Oil Circulation Pumps were repaired at the site. SCADA restoration for the reliable operation of the plant was also done.



resistance of generator unit-1 reached to the value of 17600 M Ω (10 minutes reading) observed on Nov 9, 2011. This great achievement was possible only due to significant contribution made by our trained and efficient manpower..

Besides, Annual Maintenance of the year 2010/11 was carried out in 11 days from February 27, 2011 to March 9, 2011. Comprehensive check up was carried out in the whole power plant and the Nozzle tip and Seat ring of the Unit-2

Various civil construction and maintenance works were carried out in the year under review. Major works are Building Extension works at Headwork site and at Camp site, Bemdang river protection works, Power house portal yard protection works etc. Sound proofing and acoustical installation work is under construction. Repair and painting works of the powerhouse, site office and other buildings were carried out. Nearly 12,000 m³ of sediment trapped in the reservoir was removed in the month of November, 2010.

RISK MANAGEMENT

Risk management is an integral part of Chilime's business operations. The regular meeting of senior executives and heads of the subsidiaries chaired by Managing Director of Chilime has been conducted to identify, assess and monitor the risk associated with various business activities. The minor risks are mitigated from the respective departments whereas the major risks are reported by the management to the Board in order to develop the effective mitigation strategies.

Operational Risk

Chilime has efficient equipment and robust civil structures. It has high level of operational flexibility due to reservoir and bypass canal structures in headworks and efficient electro-mechanical equipment requiring less maintenance. However, we have envisaged some risks associated with trash rack, transmission line and equipment failure. During wet season, there is frequent chucking of trash rack due to debris deposits and frequent tripping in transmission line occurs due to lightning stroke. Chilime has well trained maintenance team along with adequate spares to tackle the risk and ensure plant operation with minimum interruption.

Before the provision of the reservoir, the wear and tear of the runner, Nozzle tips and Seat rings of the turbine was significantly high in a short span of time. This was due to high silt content in water. But, the construction of the reservoir has facilitated huge amount of silt to be settled down in the reservoir resulting less deterioration in the turbine parts.

There are hazards associated with the operation of underground power plant like noise, heat vibration, electrical shock, falling of objects etc. To tackle these hazards necessary trainings and safety gears like ear plugs, helmets, and safety boots are provided to the staffs. Sound proofing work has been carried out in the control room to maintain the sound level at internationally accepted standards.

Business Development Risk

Hydropower Development has to face many challenges at the initial stage of development itself. Huge capital requirement, long implementation and payback period, high and flexible interest rates are some of the challenges to be tackled by the developers. The major challenges lie on the off taker- NEA's negative balance sheet and uncertainties in availability of transmission infrastructure at the time of commercial operation. Long term Hydrological uncertainties, due to global warming, also impacts on energy generation.

Chilime has been successful in accomplishing financial closure with EPF for its required debt and the robust mechanism has been developed to raise equity from promoters and public. We will also explore international source of financing for our upcoming projects. Since NEA is the major partner in Chilime initiated projects, the risk associated with transmission line and non-payment of the energy delivered will be at minimum level. We have also long term hydrological data with existing generation plants in our river basins which will reduce uncertainty in energy generation due to hydrology.



Project Execution Risk

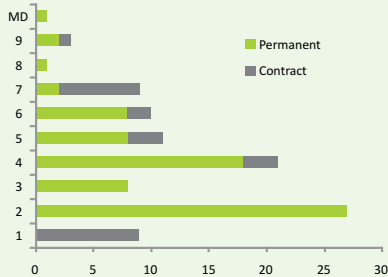
Unforeseen geological and hydrological events during the construction of hydropower projects pose a big threat in timely completion leading to cost overruns. Expectations of the locals for infrastructure development, employment, schools, hospitals etc. causes obstruction in project execution. Fluctuation in the foreign currency exchange rate can lead to substantial cost overruns if the Nepali currency devaluates.

Chilime has been successful in maintaining good and harmonious relationship with the local community by creating ownership feeling to the projects with their share participation in the project. Similarly, well managed community development plan has been implemented in the project area. Hedging the risk by having forward contracts for major equipment and services will help manage the foreign currency exchange risk, to a large extent.

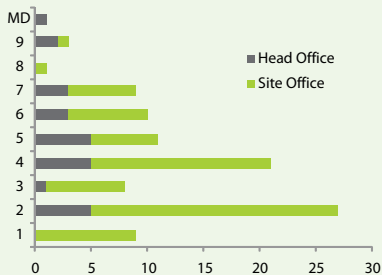
HUMAN RESOURCE MANAGEMENT

We are committed to provide our employees opportunities to learn and grow to achieve their full potential.

PERMANENT & CONTRACT BASED EMPLOYEES IN DIFFERENT LEVELS



EMPLOYEES IN HEAD OFFICE AND SITE OFFICE IN DIFFERENT LEVELS



The present Chilime team is comprised of 103 employees with 25 employees in the head office and the remaining in the site office. The total numbers of permanent employees are 75 and the rest are employed under contract basis. As employee motivation is the central focus for better management of the human resources, all permanent employees were upgraded to one step higher level in the year under review. Similarly, nine daily wages staffs were employed in contract basis. This was the big step for employee motivation and benefit. The attrition rate was 6% in the year. Several training programs within and outside the country were conducted in various areas like contract

management, project management, accounting, quality management etc. to enhance the management and leadership skills of the employees. Moreover, three board members along with plant manager have made visit to three Gorges project in China as a part of experience sharing and knowledge development for corporate directors. Participation of Chilime team in beach volleyball, organizing employee picnic programs, Chilime annual magazine 'Prativapunja', annual sports week are some key events for group participation of Chilime team. Performance based reward and punishment system is being implemented in the organization. Despite all these efforts, retaining experienced and professional employees is a big challenge but efforts are being initiated to retain deserving ones.





Management Information System

With the use of the modern IT, the company has aimed to go for paperless system which can be an advantage in data management system and increased work efficiency. We have already taken initiatives for implementation of functional software packages, which will lead us towards office automation within next year.

Compliance to International Standards

Chilime is in ongoing process to achieve International standard certifications in Quality Management and Environment Management Standards. The Quality Management certification is ISO 9001:2008, and Environmental Management certification is ISO 14000. Team Chilime is committed to practice and implement these quality standards.

Health, Safety and Environmental Protection

'Safety comes first' has always been the motto of chilime to maintain safe working environment within the organization. Along with the employees, it is aware of promoting the safe and healthy habits among the villages of Rasuwa district, especially the dwellers around the project affected areas. To adhere with the ISO standards, Chilime follows quality management objectives and is committed to develop and generate electricity from hydropower projects satisfying our stakeholders through continual improvement in its technology, process, human resource management system and complying the statutory & regulatory requirement. We are also committed to produce the products in an environment friendly and responsive manner by implementing, maintaining and continually improving our environmental management system.



BUSINESS DEVELOPMENT

Chilime Hydropower Company Limited
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Chilime has business strategy of developing hydropower projects in PPP model through its subsidiaries aligning with its Vision 2020 to become a 500 MW Company. Accordingly, we have launched four hydropower projects with total capacity of 270.3 MW for construction in parallel through its three subsidiaries, namely RGHPCL, MBJCL and SJCL.



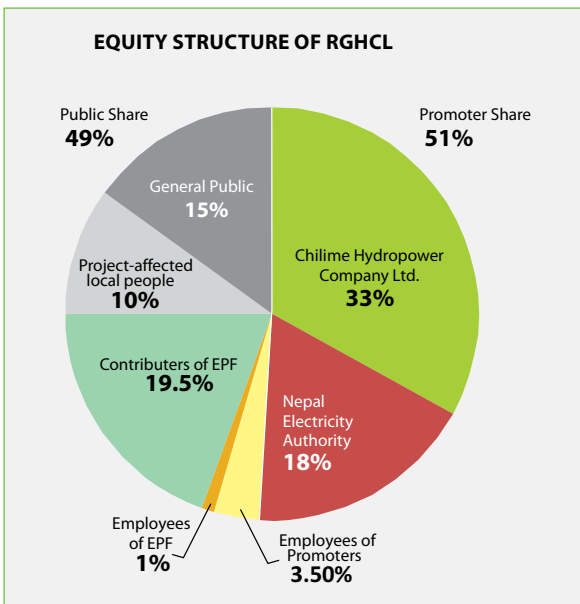
Headwork site

RASUWAGADHI HYDROPOWER COMPANY LIMITED

Rasuwagadhi Hydropower Company is a subsidiary of Chilime and was incorporated in August 2011 as a public limited company. It has planned to develop a new project - Rasuwagadhi Hydroelectric Project (RGHEP) having capacity of 111MW in Rasuwa district of Central Development Region.

The cost of the project is estimated to be Rs. 13,684.20 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing this project.

The company will manage the debt requirement of the project from the EPF for which tri-partite loan arrangement has been signed between EPF, Chilime and RGHCL. The equity investment will be made through 51% promoter share and 49% public share. Chilime has 33% shareholding in RGHCL. The promoter share will be raised first then after public share.



Under Ground Powerhouse site





▲ Loan agreement with Employees' Provident Fund



▲ Power purchase agreement signed with NEA

STATUS OF THE PROJECT

- PPA has been signed with NEA on November 14, 2011.
- Debt. portion of the project will be fully financed by EPF for which the tri-partite loan agreement has been signed on 8 December, 2011 between RGHPL, Chilime and EPF.
- RGHPL has planned to start the construction of RGHEP by January 2013 and targeted to complete the project by the end of December 2016.
- Notice on the Invitation for the Expression of Interest (EOI) for the selection of Consultant has been published and document preparation for Request for Proposal is in progress.
- Pre-qualification and tender document preparation is going simultaneously to construct RGHEP in EPC model.
- Detailed project report of the project has been completed and review on the report is under progress.
- Surface geological investigation including drilling in headrace tunnel and tailrace tunnel has been carried out to determine the geological condition in the key structure locations.
- Contract has been signed for Test Adit tunnel construction to investigate the geological condition of the underground powerhouse. The mobilization of contractor to site is under process.
- Hydrological measurement at the project site is continued for more conformity on hydrology part.
- The Scoping Document and Terms of Reference (TOR) of the EIA study have been approved from the Ministry of Environment. The Final EIA report has been prepared and submitted to the ministry for the approval. The final presentation of the EIA report has been completed and it is on the approval process.
- Land acquisition process is in progress to acquire land required for this project.

▼ EIA Presentation at Ministry of Environment



Key Features of the Project

Type of Project:	Run-of-River (ROR)
Design Discharge:	80.00 m ³ /sec
Gross Head:	167.90 m
Headworks:	Diversion Weir with Undersluice and Sidelntake
Desander type and size	Underground, 3—Chamber of size 125m x 15m x 10m
Tunnel Length and size:	4203m, Circular section of dia, 6m
Powerhouse:	Underground
Turbine	
Type, Orientation & No.:	Francis, Vertical Axis & 3 Nos.
Unit Capacity:	37 MW
Generator Unit Capacity & Nos.:	3 phase' Synchronous AC, 3 x 43.75 MVA
Installed Capacity:	111 MW
Annual Salable Energy:	613.875 GWh
Dry Energy:	84.318 GWh
Wet Energy:	529.556 GWh
T/L Length/ Voltage:	10 km, 132 kV Double Circuit up to Chilime Hub

Loan agreement with Employees' Provident Fund ▶



Chilime Hydropower Company Limited
Annual Report 2010/11



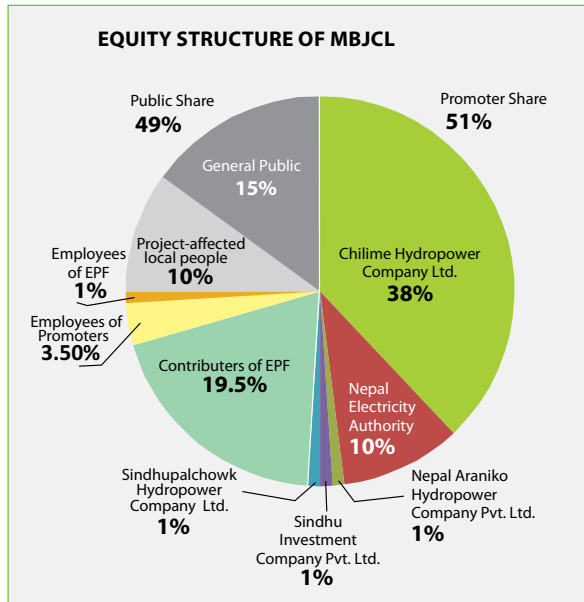
▶ Powerhouse site

MADHYA BHOTEKOSHI JALAVIDHYUT COMPANY LIMITED

Madhya Bhotekoshi Jalavidhyut Company Limited is a subsidiary of Chilime and was incorporate in July 2010 as a public limited company. MBJCL has planned to develop a new project – Middle Bhotekoshi Hydroelectric Project (MBKHEP) having capacity of 102MW in Sindhupalcowk district of Central Development Region.

The cost of the project is estimated to be NRs. 12,283.30 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing this project.

The company will manage the debt requirement of the project from the EPF for which tri-partite loan arrangement has been signed between EPF, Chilime and MBJCL. The equity investment will be made through 51% promoter share and 49% public share. Chilime has 38% shareholding in MBJCL. The promoter share will be raised first then after public share.



▶ Interaction with local people





◀ Power purchase agreement signed with NEA

STATUS OF THE PROJECT

- PPA has been signed with NEA on 14th November 2011.
- Debt portion of the project will be fully financed by EPF for which the tri-partite loan agreement has been signed on 8 December, 2011 between MBJCL, Chilime and EPF.
- MBJCL has planned to start the construction of MBKHEP by January 2013 and targeted to complete the project by the end of December 2016.
- Notice on the Invitation for the Expression of Interest (EOI) for the selection of Consultant has been published and document preparation for Request for Proposal is in progress.
- Pre-qualification and tender document preparation is going simultaneously to construct MBKHEP in EPC model.
- Detailed project report of the project has been completed. Hydrological measurements at headworks site and powerhouse site are continued for more conformity on hydrology part. Surface geological investigation including drilling in headworks and powerhouse as well as sub-surface exploration with ERT has been carried out to determine the geological condition in the key structure locations.
- EIA study of the project is in progress and the report will be submitted to the concerned authorities very soon.
- Land acquisition process is in progress to acquire land required for this project.
- Test Adit construction work is being carried out by Himal Hydro Construction



◀ Headworks Site

Key Features of the Project

Type of Project:	Run-of-River (ROR)
Design flow:	50.8 m ³ /sec
Gross Head:	235 m
Headworks:	Gated Weir Type with Undersluice and Side Intake
Desanding Basin Type & Size:	Surface, 100 m(l) x 13 m(w) x 8.5 m(h)
Tunnel Length & Size:	7124 m x 5.7 m(w) x 5.7 m(h)
Powerhouse Type & Size:	Semi-underground, 52 m(l) x 15 m(b) x 25.5 m(h)
Turbine:	Type, Orientation & Number
Unit Capacity:	Francis, Vertical Axis & 3 Nos. 36 MW
Generator Unit Capacity & Nos.:	40 MVA & 3 Nos.
Installed Capacity:	102 MW (3 x 34 MW)
Annual Salable Energy:	542.2 GWh
Dry Energy:	83.7 GWh
Wet Energy:	458.5GWh
Transmission Line Length/Voltage:	4 km/220 kV





MoU for loan agreement with Employees' Provident Fund

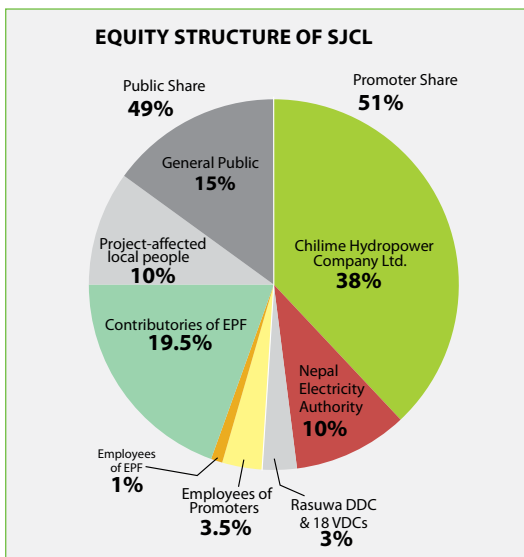
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SANJEN JALAVIDHYUT COMPANY LIMITED

Sanjen Jalavidhyut Company Limited (SJCL) is a subsidiary of Chilime and was incorporated in March 2010 as a public limited company. SJCL has planned to develop two new projects—Sanjen Hydroelectric Project (SHEP) having capacity of 42.5 MW and Sanjen(Upper) Hydroelectric Project (SUHEP) of capacity 14.8 MW in Rasuwa district of Central Development Region.

The cost of these projects is estimated to be Rs. 7,243.20 million excluding financial cost. A 50:50 debt-equity structure will be employed for financing these projects.

The company will manage the debt requirement of the project from the EPF for which tri-partite loan arrangement has been signed between EPF, Chilime and SJCL. The equity investment will be made through 51% promoter share and 49% public share. Chilime has 38% shareholding in SJCL. The promoter share will be raised first then after public share.



STATUS OF THE PROJECTS

- PPA has been signed with NEA for SUHEP on 10 October, 2011 and for SHEP on 5 December, 2011 with the commercial operation date (COD) of July 2015 and December 2015 respectively.
- Generation license for SHEP has been received from the Ministry of Energy for a period of 35 years from 28 November, 21012 and that for SUHEP it is in the process.
- The EIA reports of both the projects have been approved by the Ministry of Environment.
- Detailed project reports of both the projects have been completed.
- Debt portion of the project will be fully financed by EPF for which the tri-partite loan agreement has been signed on 8 December, 2011 between SJCL, Chilime and EPF.



Access road construction in progress



Powerhouse and Intake Forebay Site of Sanjen Upper Hydroelectric Project.



◀ Loan agreement with Employees' Provident Fund

- SJCL has planned to commence the main construction of both the projects simultaneously from July 2012 with the target of completing them within the COD.
- Notice on the Invitation for the Expression of Interest (EOI) for the selection of Consultant has been published and the appointment of the Consultant is planned in mid May 2012 before the contract agreement of the main civil works. The prequalification of contractors for the two projects has been announced and the bids will be invited from them in January 2012.
- Bidding document preparation for pre-qualification of contractors for the electromechanical works is in progress
- Land acquisition and compensation distribution for the access road and project structures has been completed. Construction works of 10.65 km long main access road for the two projects, access road for surge tank and camp facilities at Thambuchet, Chilime VDC are in progress.

▶ Interaction with local people



Key Features of the Projects

	Sanjen (Upper) HEP	Sanjen HEP
Type of Project:	Peaking Run-of-River (PROR)	Cascade PROR
Design flow:	11.07 m ³ /sec	11.57 m ³ /sec
Gross Head:	161.3 m	442 m
Headworks:	Overflow weir type with undersluice and side intake	Off-take from Tail water of SUHEP and Chhupchung Feeder
Desander Type & Size:	Surface, 75 m (l) x 8.5 m (b) x 5.5 m (h)	Intake Basin, 45 m(l) x 16 m(b) x 7.5 m(h)
Headrace Tunnel Length & Size:	1396.5 m (l) x 3.3 m (b) x 3.4 m (h)	3629 m (l) x 3.3 m (b) x 3.4 m (h)
Powerhouse: Type & Size:	Surface, 38 m(l) x 12 m(b) x 20.21 m(h)	Surface, 50 m(l) x 12 m(b) x 30 m(h)
Turbine Type, Orientation,		
Number & Unit Capacity:	Francis, Horizontal Axis & 3 Nos., 5.1 MW	Pelton, Vertical Axis & 3 Nos., 14.75 MW
Generator Unit Capacity & Nos.:	3 Phase Synchronous AC, 5.85 MVA & 3 Nos.	3 Phase Synchronous AC, 16.84 MVA & 3 Nos.
Installed Capacity:	14.8 MW	42.5 MW
Annual Salable Energy:	82.4 GWh	241.9 GWh
Dry Energy	10.6 GWh	34.3 GWh
Wet Energy	71.8 GWh	207.6 GWh
Transmission Line Length/ Voltage:	5 km/132 kV	1.2 km/132 kV

CORPORATE SOCIAL



RESPONSIBILITY

Team Chilime understands that CSR is a globally accepted and effective business tool to solve societal problems along with strengthening the core business activities. But, the visibility of CSR initiatives in Nepal is significantly low. In contrast to this scenario, the initiative of Chilime is a big step towards CSR. A basket fund of NRs. 2.5 million each year has been allocated for community development works through Chilime Jalabiddhut Upabhokta Sarokar Samiti in affected VDCs-Chilime, Syafrubensi and Goljung. Besides, Chilime has contributed to health, education, Infrastructure, drinking water irrigation etc.



HEALTH

Public health awareness has always been a central focus for Chilime towards social responsibility. The construction of toilets and bathrooms at public gathering centers such as Gumbas and schools as well as individual households of Chilime village are our approaches to establish healthy habits of the local people, especially in project affected areas. Reservoir tank was constructed for drinking water and irrigation served to the people of Komin Village.

We had stepped forward to fulfill the need of ambulance service throughout Rasuwa. An ambulance was handed over to Chilime Jalabiddhut Upabhokta Sarokar Samiti, which has been much worthy in serving the patients throughout the district, especially Safrubesi, Goljung, Timure, Thuman, and Chilime villages. Understanding the growing demand of blood in the country, Chilime Jalaviddhyut Karmachari Union organized blood donation camp where 51 donors including staffs and local people donated the blood. The program was organized in the central office premises of the company on December 23, 2011.



EDUCATION

Overall Development is possible through knowledge which can be boosted by education. We have prioritized in educational supports which we believe can help the nation in increasing the literacy rate and support economic growth of local people. We have been distinctly a large donor for different schools in vicinity of the project area. We have contributed two ropanies of land and NRs 1.5 million to Shyamewangel Higher Secondary School in Syafru. Similarly, NRs 1.5 million to Parbatikunda Higher Secondary School, Goljung, NRs. 0.6 million to Sarswoti Primary School, Chilime and NRs. 0.3 million each to Sundhara Higher Secondary School and Nilkantha Namuna Higher Secondary School of Dhaibung, Nirkubhumi Higher Secondary School of Shramthali, Higher Secondary School of Dandagau. We have provided computers to Komin Primary School at Komin village of Rasuwa. Similarly, we have also made significant contribution to establish Turbine Testing Laboratory in Kathmandu University.



LOCAL TRAININGS AND EMPLOYMENT

Chilime is providing trainings to the local people with an aim to develop skilled local manpower and give them employment opportunity. Chilime has been a good platform for internship programs for students from different colleges and universities.





INCOME GENERATING PROGRAM

Chilime is promoting entrepreneurship development programs among the rural youth for taking up self-employment activities. Technical and financial support to develop Bemdang Khola SHP (1 MW) promoted by the local is one of such initiatives undertaken by the company.

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RURAL ELECTRIFICATION

Chilime has facilitated new street lights for market areas in the affected VDCs like Chilime, Goljung, Komin and Syafrubesi. 30 street lights with the wooden poles have been installed in these areas along with its regular repair and maintenance works. For smooth control and distribution of electricity to the local people of Rasuwa District, 66/11kV outdoor switchyard/substation was constructed and brought into operation from May, 2010. A program for Rural Electrification of Chilime VDC was launched with budget allocation of NRs. 10 million.



ROAD INFRASTRUCTURE

Chilime has allocated more than NRs. 20 million for Goljhung village feeder road which is under construction. Construction of road side drain works were carried out to manage the rain water in Komin village, Syafrubesi and Thambuchet. Similarly, the regular maintenance work of Syafrubesi to Thambuchet road has been carried out by Chilime every year.





ENVIRONMENT PROTECTION

Sustainable development is our core business strategy. So, while operating our business, we have a parallel approach in environmental protection. We have planned to carry out 1500 thousand plantations in the open barren lands of affected areas. We have already provided financial support for 100 thousand plantations through the local forest users group.

Considering the long run approach, we are aware of reducing the carbon emissions. Implementation of modern technologies has been concentrated in reduction of the paper uses and use of the environment friendly products.



OTHER SOCIAL INITIATIVES

We have provided accessories like electric motors, valves, transformer bush, MCBs and other necessary parts to maintain the Ghattas (Water Mill), Oil Mill for their continuous operation.

Chilime Jalaviddhut Karmachari Union organizes Sports Week consisting of indoor and outdoor sports activities during second week of Jan-Feb every year on the occasion of company day (January 27). Five teams from the affected VDCs and one from Chilime Hydropower Company participated in inter VDCs level Volleyball competition. Suryodaya Yuba Club, Syafrubesi was the winner of the competition.



CORPORATE



Shares and Shareholding

The ordinary shares of Chilime have been listed on NEPSE. NEA is the major shareholder having 51% of total shares of the Company. The total number of listed share is 9600 thousand.

Board and Board of Directors

The board is the Apex body of the Company. It reviews and discusses the performance of the company, its future plans, major business strategy, risk management and other pertinent issues. It also assumes responsibility for overall discretion and supervision of the company affairs. All directors have a duty to act in good faith in the best interests of the company and are aware of their individual and collective responsibilities towards the Shareholders.

There is a provision of five board members from NEA which owns 51% share in the Company while the group 'B' representing the employees of the NEA and the Company hold 25% share and have two board members. Since 24% shares of group 'C' have already been sold and distributed to the public, this AGM will elect two board members from the ordinary shareholders after which the board will get a full shape with nine members. At present, the seven-member board has been carrying out the board functions of the Company.

GOVERNANCE



Those who served the Board of Directors of the Company in FY 2010/11 are given below:

S.No.	Board Members	Position
1	Dr. Jivendra Jha	Chairperson Until 11 May, 2011
2	Mr. Rameshwar Yadav	Chairperson From 12 May to the review period
3	Mr. Deepak Prasad Upadhyaya	Board member Until 1 Feb. 2010
4	Mr. Yugal Kishor Shah	Board member Until the review period
5	Mr. Mahendra Lal Shrestha	Board member From 2 Feb. 2010 to date
6	Mr. Diwakar Poudel	Board member Until Dec. 2010
7	Mr. Badri Nath Roka	Board member From Dec. 2010 to till date
8	Mr. Kul Man Ghising	Managing Director Until now
9	Mr. Gokarna Prasad Sharma	Board member Elected from Group B, <i>Until March 2011</i>
10	Mr. Kumar Prasad Ojha	Board member Elected from Group B, <i>Until March 2011</i>
11	Mr. Jayandra Shrestha	Board member Elected from Group B (<i>From March 2011 to date</i>)
12	Mr. Tulasi Ram Dhakal	Board member Elected from Group B (<i>From March 2011 to date</i>)

Mr. Deependra Nath Sharma, the then Managing Director of NEA, served as Board Chairperson from 15 August, 2011. After his resignation from NEA, Mr. Rameshwar Yadav succeeded him as the Board Chairperson who also held the chair before Sharma's appointment. Recently, Mr. Teeka Ram B.C. has chaired the board after the compulsory retirement of Mr. Rameshwar Yadav. With Yugal Kishor Shah's compulsory retirement from NEA, Mr. Lila Nath Bhattarai has replaced him in the Board. Similarly, after his retirement, Mr. Diwakar Paudel was replaced by Mr. Badri Nath Roka. In the 14th AGM of the Company, Mr. Jayandra Shrestha and Mr. Tulasi Ram Dhakal have been elected as Board Members representing Group B.

BODs Meeting

Board meetings are held at regular basis. Urgent meetings are held whenever required. BODs get prior notice with agendas and other relevant documents to study the details and for the convenience of discussion. Mr. Bidur Bahadur Dhungana is discharging the responsibility of company secretary.

There were all together 25 meetings held during FY 2010/011.

Allowances of Directors

The board directors were paid following allowances:

- Board meeting allowances per meeting, per person: **NRs. 3,000.00**
- Board committee meeting allowances per meeting per person: **NRs. 2,000.00**
- Transportation and communication allowances per month per person: **NRs. 1,500.00**

Audit Committee

A three member Audit committee was set to review financial statements and risk management systems, to prepare accounting policy and to recommend, monitor and supervise the auditor.

COMMITTEE MEMBERS

Mr. Badri Nath Roka	Chairman
Mr. Lila Nath Bhattari	Member
Mr. Jayandra Shrestha	Member

There were all together 6 meetings held during FY 2010/11 to discuss and review audit report, quarterly financial reports, and other related issues.

Share Transfer Committee

This committee comprises three members as follows:

Mr. Kul Man Ghising	Chairman
Mr. Tulasi Ram Dhakal	Member
Mr. Bidur Bahadur Dhungana	Member

Staff Recruitment Committee

This committee comprises four members as follows:

Mr. Mahendra Lal Shrestha	Chairman
Mr. Kul Man Ghising	Member
Mr. Madhav Prasad Koirala	Member
Mr. Depak Raj Panta	Member Secretary

Management

A team of experienced professionals under the leadership of MD Mr. Kul Man Ghising, is leading the company efficiently and effectively. At present Chilime's MD represents in subsidiary companies' BOD in the capacity of chairperson.

Code of Conducts

Chilime has been fully complying the prevailing rules and regulation enacted by the Nepal Government (GON) as well as the provisions defined in existing company Act 2063.

Employee Regulation

Chilime has been practicing a "Employees Administration Regulations 2060" to systematize the service of the staff. It treats everyone equally regardless of race, language, color and so on. It defines code of conduct and ethics that everyone should comply with.

Internal Control

Chilime is very cognizant about the reliability of the data it generates. For this purpose, "Financial Administration Regulation 2065" is in practice. Economic codes and conducts are defined in the regulation. Everyone, regardless of his/her designation, is obliged to comply the rules and regulations. Internal audit is done regularly. Accounting data are cross checked. A clear process of procurement is developed and practiced within the organization. To achieve accounting accuracy, accounting software is used. Periodic reports are prepared and published.

Chilime's Presence in its Subsidiaries

Company	Chilime's Shareholding %	No. of BOD
Rasuwigadhi Hydropower Company Ltd.	33%	3
Madhya Bhotekoshi Jalavidhyut Company Ltd.	38%	3
Sanjen Jalavidhyut Company Ltd.	38%	3

Profile of Board of Directors



Teeka Ram B.C.

Chairman

- Graduate in Commerce
- 30 years of working experience at NEA
- At present- Officiating Managing Director, NEA



Kul Man Ghising

Director

- B.Sc. Engineering (Elect.), RIT, Jamshedpur, India
- M.Sc. Power System Engineering, IOE
- 17 years of working experience in Engineering and Management field
- At present- Managing Director, Chilime Hydropower Company Ltd.



Mahendra Lal Shrestha

Director

- M.Sc. Electrical Engineering in Distinction
- 31 years of working experience in Engineering field
- At present- General Manager, Distribution & Consumer Service at NEA



Jayandra Shrestha

Director

- M.Sc Economics (hons.)
- MBA. (Mangnacum Loude), LLB
- 30 years of working experience in Finance and Management field, 23 years at NEA
- At present – Act. Director, Finance, NEA



Badri Nath Roka

Director

- B.Com., M.A, MBA, B.L.
- 30 years of working experience in Finance and Management field
- At present- Acting Deputy Managing Director, Finance, NEA.



Tulasi Ram Dhakal

Director

- B.A./Business
- 20 years of working experience in Business field.



Lila Nath Bhattarai

Director

- B.E. (Civil) Hons., Roorkee, India
- M.Sc (Water Resource Engineering)T.U.
- 28 years of working experience in Engineering field
- At Present-Director, Project Development Department, NEA

SHAREHOLDERS' INFORMATION

Chilime Hydropower Company Limited
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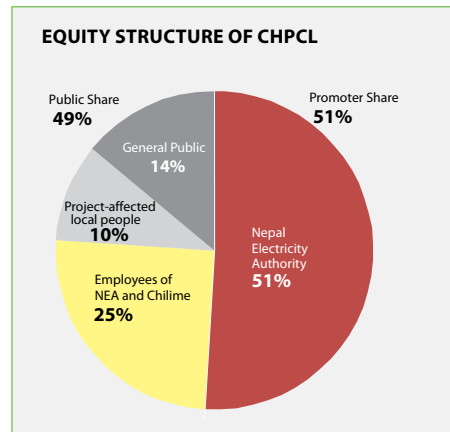
Communication with shareholders

Transparency is the motto of Chilime. Stakeholders are informed via national newspapers, magazines, telephone, fax, e-mail, web site, annual reports and reception desk about any activities it has been carried out.

Chilime highly encourages the productive suggestions from our valued stakeholders for its further improvement, review the feedback and takes corrective action, if necessary.

Share Issue to Local People in Rasuwa

Chilime has pioneered in Share issue. We issued 960 thousand equity shares to project affected local people and subscription was made by approximately 31,123 applicants for NRs. 433.57 million. This was about 1.6 times higher than the amount called for. The collection was made from three collection centers in the District with a view to getting participation from the maximum number of people. Targeting the poor, 80% financing arrangement was developed through Megha and Janta Bank. Loan repayment and interest payment mechanism has been made through the yearly dividend payouts of the Company. Most probably this might be the first practice in Nepal. NRs. 96 million as equity capital and NRs. 174.49 million as premium was collected, which is shown on its balance sheet ended mid July 2011. Local people directly affected by project were provided 180 thousand shares @ NRs. 100.00 per share and 156 thousand shares @ NRs. 323.70 per share. The remaining 624 thousand shares



were provided @ NRs. 323.70 per share to people residing in remaining VDCs of the District.

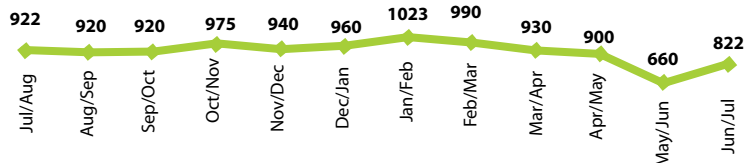
The Company has arranged a mechanism to pay dividend of FY 2009/10 and distribute remaining share certificates of local shareholders from Dhunche, the District headquarter of Rasuwa.

Share Issue to General Public

Chilime issued remaining equity shares of 1344 thousand to general public @ NRs. 408.36 per share with premium value of NRs. 308.36 per share in the year under review and collected NRs. 3794.45 million. The call amount was for NRs. 548.84 million only. There was an over-subscription by 5.9 times. Approximately 1,01,653 applicants applied but allotment was made for 49,190 applicants only. The allotment was made in fiscal year 2011/12 so collected amount is not shown on its balance sheet. CIT and NCM Merchant Banking Ltd. jointly served as an issue manager.

With the conclusion of share issue, Chilime has been able to solve the pending problem and paved the way to most prioritized objective of growth. Interestingly, all of the shareholders who are in the process of getting share certificates are entitled to the bonus shares and cash dividend as recommended by BOD. Balance sheet shows only NRs 825.60 as share capital but bonus shares and cash dividend are recommended on NRs. 9600 thousand equity capital.

SHARE PRICE IN FY 2010/11 (IN NRs.)





Total approved dividend till the year under review was deposited to CIT's account. Still few shareholders have not been able to collect their dividend warrant. They have been regularly followed up by the company and CIT to collect their dividend warrants.

Trading information

At the end of the fiscal year 2010/11 Chilime's share price stood at NRs. 822.00 per share and total market capitalization at NRs. 5,997.31 million (as on 14-July-2011, last date of transaction).

Market Price NRs.

High	Low	Closing
1085	686	822

Second Highest Book Value of **NRs.408.36 in NEPSE**
NEPSE Closing INDEX **362.85**

Chilime occupies sixth position out of top ten companies on NEPSE based on traded amount.

MARKET SHARE PRICE (IN NRs.)



S/N.	PARTICULARS	OVERALL	HYDROPOWER COMPANIES	CHILIME
1	Turnover on NEPSE (Units in '000')	26,240.39	1,210.63	226.79
2	Turnover on NEPSE (NRs in '000000')	6,665.33	343	204.72
3	Trading Days	231	-	181

F.Y.	Closing NEPSE Index	Closing Stock Price	No. of Share	Market Capitalization
2010/11	362.85	822	72,96,000	5,997.31
2009/10	477.73	1101	72,96,000	8,032.90
2008/09	749.10	1296	72,96,000	9,455.62
2007/08	963.36	1562	72,96,000	11,396.35
2006/07	683.00	940	72,96,000	6,858.24
2005/06	286.67	400	72,96,000	2,918.40

ANNUAL GENERAL MEETING

The 14th Annual General Meeting was held on 17 March, 2011 (2067/12/3) at Nepal Academy, Kathmandu. The 15th Annual General Meeting will be held on:

Date: 11 January, 2012 (27 Poush, 2067)

Time: 11:00 A.M.

Venue: Nepal Academy, Kamaladi, Kathmandu

STOCK LISTING

Chilime is listed on Nepal Stock Exchange and its ordinary shares are traded under the code 'CHCL'.

SHARE REGISTRAR

Citizen Investment Trust
Naya Baneshwor, Kathmandu, Nepal.
Phone: 014785321, 014781436
Fax: 014785320
PAN: 300981807
URL: www.nlk.org.np

RECOGNITIONS

Chilime has made significant contributions to different educational institutions as a part of its CSR activities.

Kathmandu University presented an Appreciation of Contribution in recognition of contribution for the construction of Turbine Testing Lab.

Chilime has a greater focus on enhancing the quality of life of project affected areas. The Letter of felicitation presented by *Rasuwali Aawaz*, a quarterly magazine of Rasuwa district is a resemblance for our contribution on health, education and social sectors of Rasuwali people.

We are recognized by Parvatikunda Higher Secondary School with Certificate of Appreciation for our financial support.

We have been the sponsor and co-sponsor for different festivals and events in Rasuwa district. The letter of appreciation was received from the organizer of Gosaikunda- Langtang Rasuwa Festival 2011, for sponsoring the event.





1

GLIMPSES OF IMPORTANT EVENTS OF THIS YEAR

- 1 & 2. MoU for loan agreement with Employment Provident Fund
- 3. Signing of Power Purchase Agreement with NEA
- 4. Share allotment function
- 5. Loan agreement with EPF.



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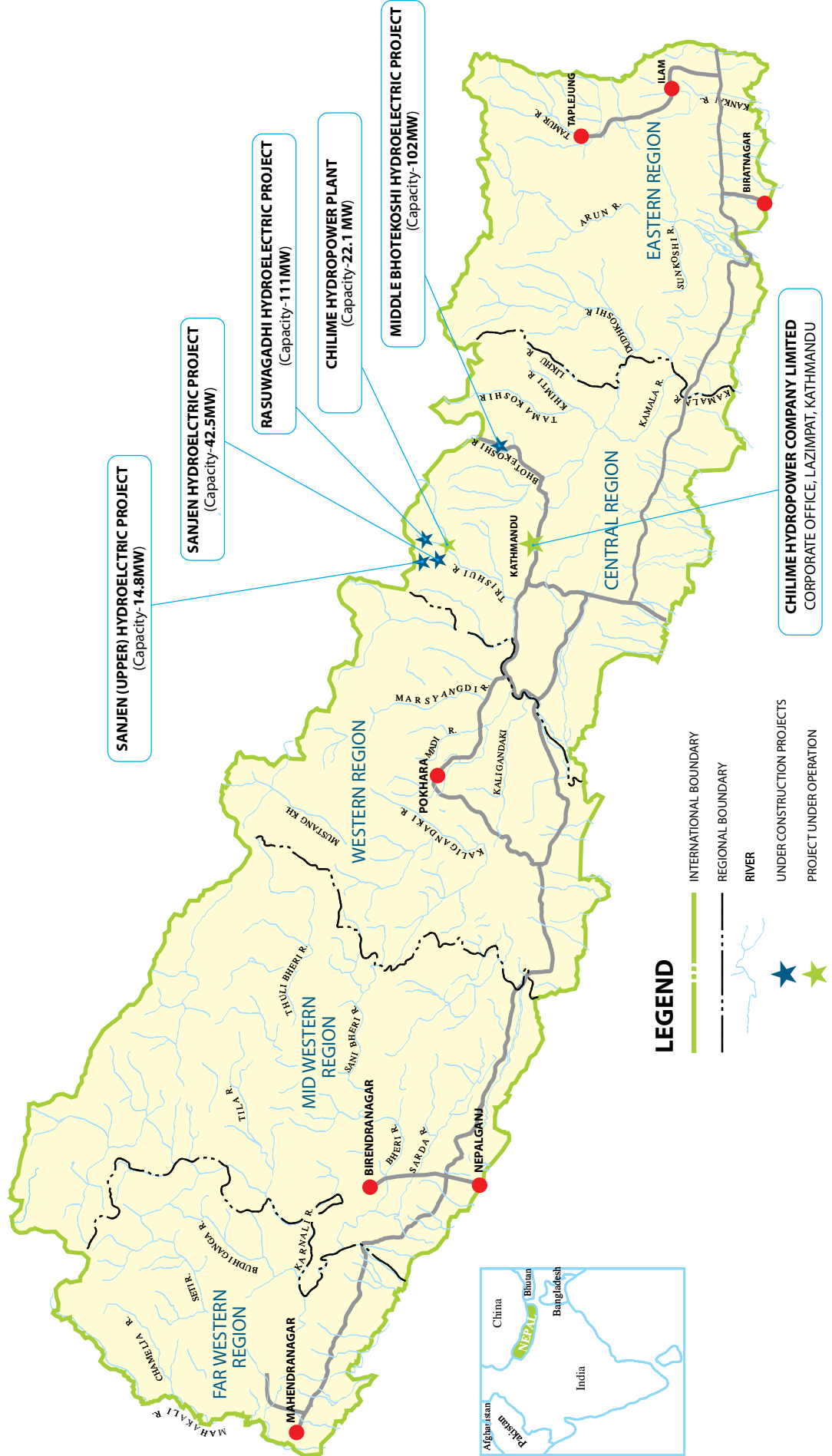


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PROJECT LOCATIONS



ANNUAL REPORT
2010/2011

FINANCIAL STATEMENTS



CHILIME HYDROPOWER
COMPANY LIMITED

Auditor's Report to the members of Chilime Hydropower Co. Ltd.

We have audited the accompanying Balance Sheet of the Chilime Hydropower Co. Ltd. as at 32 Ashadh 2068 (16 July 2011) and the related Statements of Income, and Cash Flows Statement for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Nepal Standards on Auditing. Those standards or practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe our audit provides a reasonable basis for our opinion.

In accordance with the Companies Act, 2063, we report that:

- a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our examination.
- b) In our opinion, proper books of account as required by the Companies Act have been kept by the company to state the fair presentation of its transactions.
- c) Balance Sheet, Income Statement and Cash Flows Statement provided to us have been prepared in accordance with the generally accepted accounting standards and these statements are in agreement with the books of accounts maintained by the company.
- d) In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of accounts of the company, we have not come across the cases where the Board of Directors or any member thereof or any employee of the company have acted contrary to the provision of the prevailing law or caused loss or damage to the company or committed any misappropriation of the properties of the company.
- e) In our opinion, the business of the company has been conducted satisfactorily and within its authority, and
In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as of 32 Ashadh, 2068 and of the results of its operations and its cash flows for the year ended in accordance with Nepal Accounting Standards or relevant practices and comply with the Companies Act 2063.



M. Guragain & Associates
Mahesh Kr. Guragain, FCA
Chartered Accountants



Date: 19 November 2011/2068 Kartik 2
Place: Kathmandu

Balance Sheet

as on 16th July 2011

PARTICULARS	SCHEDULE	THIS YEAR (FY2067/068) RS.	PREVIOUS YEAR (FY2066/067) RS.
Share Capital	1	825,600,000.00	729,600,000.00
Share Premium		174,486,000.00	-
Reserve & Accumulated Profit	2	3,096,267,333.11	2,748,487,993.81
Total		4,096,353,333.11	3,478,087,993.81
ASSETS			
Fixed Assets			
Net Assets	3	1,778,037,137.50	1,869,352,512.11
Work-in-progress		8,407,894.71	3,927,133.01
New Project		23,189,541.63	25,526,817.78
Investment	4	339,087,915.18	228,525,454.32
Total Fixed Assets		2,148,722,489.02	2,127,331,917.22
Current Assets			
Stock	5	53,455,054.35	30,901,731.53
Receivables	6	205,170,294.01	209,483,491.36
Cash & Bank	7	73,455,625.32	44,129,483.82
Pre-paid, Advance, Borrowing, Deposit & Short-term Investment	8	1,714,204,143.92	1,165,578,286.25
Total Current Assets		2,046,285,117.60	1,450,092,992.96
LESS: CURRENT LIABILITIES			
Other Payable	9	7,469,690.59	7,171,155.36
Provisions	10	99,915,308.14	95,529,238.35
Total Current Liabilities		107,384,998.73	102,700,393.71
Net Current Assets		1,938,900,118.87	1,347,392,599.25
Deferred Expenses	11	8,730,725.20	3,363,477.34
Total		4,096,353,333.11	3,478,087,993.81
Contingent Liabilities	12	97,709,098.94	85,878,653.58
Accounting Policies and Notes to Accounts	15		

Schedules 1 to 15 are the indispensable parts of this Financial Statement

Badri Nath Roka
Director

Mahendra Lal Shrestha
Director

Deependra Nath Sharma
Chairman

As per our attached
report of event date

Lila Nath Bhattarai
Director

Jayendra Shrestha
Director

Tulsiram Dhakal
Director

Mahesh K. Guragain F.C.A.
For M Guragain & Associates
Auditor

Kul Man Ghising
Managing Director

Bidur Bahadur Dhungana
Account Chief

Income Statement

17 July 2010 - 16 July 2011

PARTICULARS	SCHEDULE	THIS YEAR (FY2067/068) RS.	PREVIOUS YEAR (FY2066/067) RS.
Sales Income		885,046,360.64	886,564,907.16
Cost of Sales	13	(74,098,641.29)	(72,734,490.03)
Gross Profit		810,947,719.35	813,830,417.13
Other Income		220,734.74	171,300.00
Interest Income		190,520,742.26	108,941,205.45
Administrative Expenses	14	(52,084,973.19)	(39,194,617.60)
Profit from Operation		949,604,223.17	883,748,304.98
Interest Expenses		-	-
Depreciation	3	(106,217,662.06)	(104,732,089.17)
Deferred Tax		(247,221.80)	(1,584,369.00)
Profit before Tax		843,139,339.31	777,431,846.81
Income Tax Provision		-	-
Profit after Tax		843,139,339.31	777,431,846.81
Accumulated Profit up to Last Year		2,748,487,993.80	1,971,056,146.99
Dividend Paid this Year		(495,360,000.00)	
Gross Accumulated Profit		3,096,267,333.11	2,748,487,993.80
Profit/Loss Appropriation			
Proposed Dividend			
Accumulated Profit Transferred to Balance Sheet		3,096,267,333.11	2,748,487,993.80

Badri Nath Roka
Director

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Account Chief

Cash Flow Statement

17 July 2010 - 16 July 2011

PARTICULARS	THIS YEAR (FY2067/068) RS.	PREVIOUS YEAR (FY2067/068) RS.
a. Cash Flow from Operating Activities	198,837,562.27	108,457,729.17
1 Net Profit/Loss before Taxable & Abnormal Income	843,139,339.31	777,431,846.81
Adjustments		
Add:		
1. Depreciation	106,217,662.06	104,732,089.17
2. Deferred Expenditure	2,182,681.29	
3. Loss on Exchange	-	174,495.30
4. Loss on Sales of Fixed Assets	-	1,150,558.26
Subtraction		
1. Profit from Sale of Fixed Assets	-	(174,495.30)
2. Interest Income	(190,520,742.26)	(108,941,205.45)
2 Cash Flow before Changes in Working Capital	761,018,940.40	774,373,288.79
Changes in Working Capital		
1. (Increase)/Decrease in Current Assets	(566,865,983.14)	(659,359,625.73)
2. Increase/(Decrease) in Current Liabilities	4,684,605.02	(6,555,933.89)
Operating Cash Flow after Changes in Working Capital	(562,181,378.12)	(665,915,559.62)
Interest Paid	-	-
Net Cash Flow from Operating Activities	(562,181,378.12)	(665,915,559.62)
b. Cash Flow from Investment Activities		
1. Interest & Dividend Received	190,520,742.26	108,941,205.45
2. (Increase)/Decrease in Fixed Assets & New Project	(127,608,233.86)	(93,875,337.39)
3. Proceed from Fixed Assets	-	455,000.00
4. Increase in Deferred Expenditure	(7,549,929.15)	-
Net Cash Flow from Investment Activities	55,362,579.25	15,520,868.06
c. Cash Flow from Financial Activities		
1. Issue of Share Capital	96,000,000.00	-
2. Share Premium	174,486,000.00	-
3. Dividend Paid	(495,360,000.00)	(328,320,000.00)
3 Net Cash Flow from Financial Activities	(224,874,000.00)	(328,320,000.00)
Changes in Cash Increase/Decrease (a+b+c)	29,326,141.52	(204,341,402.77)
Opening Cash & Bank	44,129,483.82	248,470,886.59
Closing Cash & Bank	73,455,625.32	44,129,483.82

Badri Nath Roka
Director

Mahendra Lal Shrestha
Director

Deependra Nath Sharma
Chairman

As per our attached
report of event date

Lila Nath Bhattarai
Director

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Director

Mahesh K. Guragain F.C.A.
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Kul Man Ghising
Managing Director

Bidur Bahadur Dhungana
Account Chief

Change in Equity

17 July 2010 - 16 July 2011

(Rs in Thousand)

PARTICULARS	SHARE CAPITAL	SHARE PREMIUM	REVALUATION RESERVE	CHANGED RESERVE	ACCUMULATED PROFIT	TOTAL
Balance as on Ashad End 2066	729,600.00	-	-	-	2,043,739.90	2,773,339.90
Changes by Account Policies						-
Balance	729,600.00	-	-	-	2,043,739.90	2,773,339.90
Increase by Revaluation of Assets	-	-	-	-	-	-
Decrease by Revaluation of Investment	-	-	-	-	-	-
Differences by Exchange Rate	-	-	-	-	-	-
Profit/Loss not Shown in P/L A/C	-	-	-	-	-	-
Net Profit of this Year	-	-	-	-	777,431.85	777,431.85
Deferred Tax Liabilities Deducted from Last Year's Accumulated Profit	-	-	-	-	(72,683.76)	(72,683.76)
Dividend	-	-	-	-	-	-
Issue of Capital	-	-	-	-	-	-
Receivable Share Capital	-	-	-	-	-	-
Balance up to Ashad end 2067	729,600.00	-	-	-	2,748,487.99	3,478,087.99
Loss by Revaluation of Assets	-	-	-	-	-	-
Profit by Revaluation of Assets	-	-	-	-	-	-
Differences from Exchange	-	-	-	-	-	-
Profit/Loss Not Shown in P/L A/C	-	-	-	-	-	-
Net Profit of this Year	-	-	-	-	843,139.34	843,139.34
Deferred Tax Deducted from Accumulated Profit up to Last Year	-	-	-	-	-	-
Dividend	-	-	-	-	(495,360.00)	(495,360.00)
Issue of Share	96,000.00	-	-	-	-	96,000.00
Share Premium	-	174,486.00	-	-	-	174,486.00
Closing Balance as on Ashad End 2068	825,600.00	174,486.00	-	-	3,096,267.34	4,096,353.33

Share Capital

Schedule-1

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Authorized Capital 1,50,00,000 Share @ Rs. 100	1,500,000,000	1,500,000,000
2	Issued Capital 140,00,000 Share @ Rs. 100	1,400,000,000	1,400,000,000
3	Paid Up Capital 82,96,000 Share @ Rs. 100	825,600,000	729,600,000
	Total	825,600,000	729,600,000

Reserve and Accumulated Profit

Schedule-2

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
a	Capital Reserve	-	-
b	Revenue Reserve	-	-
c	Accumulated Profit	2,253,127,993.80	777,431,846.81
d	Proposed Bonus Share	-	-
e	Profit/Loss Account	843,139,339.31	1,971,056,146.99
	Total	3,096,267,333.11	2,748,487,993.80

Depreciation Schedule

17 July 2010 – 16 July 2011

Schedule-3

PARTICULARS	ASSETS			DEPRECIATION			REMAINING BALANCE			
	BOOK VALUE UP TO LAST YEAR	TOTAL ADDITION OF THIS YEAR	GROSS BOOK VALUE	BOOK VALUE OF THIS YEAR	RATE %	UP TO LAST YEAR	THIS YEAR	TOTAL	THIS YEAR	PREVIOUS YEAR
Land	7,988,708.80	586,988.00	8,575,696.80	8,575,696.80		-	-	-	8,575,696.80	7,988,708.80
Power House	169,646,727.81	-	169,646,727.81	169,646,727.81	4	46,776,018.31	6,785,869.11	53,561,887.42	116,084,840.39	122,870,709.50
Office Building	3,762,456.25	-	3,762,456.25	3,762,456.25	4	1,674,852.97	150,498.25	1,825,351.22	1,937,105.03	2,087,603.28
Residential Building "A"	1,408,757.41	2,906,211.82	4,314,969.23	4,314,969.23	4	663,176.19	95,099.79	758,275.97	3,556,693.26	745,581.22
Residential Building "B"	7,187,962.02	-	7,187,962.02	7,187,962.02	4	2,698,746.92	287,518.48	2,986,265.40	4,201,696.62	4,489,215.10
Residential Building "C"	9,600,121.12	-	9,600,121.12	9,600,121.12	4	4,519,281.67	384,004.84	4,903,286.52	4,696,834.60	5,080,839.45
Clinic Building	496,266.95	-	496,266.95	496,266.95	4	233,618.95	19,850.68	253,469.63	242,797.32	262,648.00
Lab Building	476,588.64	-	476,588.64	476,588.64	4	224,355.35	19,063.55	243,418.89	233,169.75	252,233.29
Store Building	1,624,885.04	-	1,624,885.04	1,624,885.04	4	545,762.64	64,995.40	610,758.04	1,014,127.00	1,079,122.40
Guard House	1,069,066.05	-	1,069,066.05	1,069,066.05	4	350,371.50	42,762.64	393,134.14	675,931.91	718,694.55
Headrace Tunnel	1,031,722,215.35	-	1,031,722,215.35	1,031,722,215.35	4	284,472,667.81	41,268,888.61	325,741,556.43	705,980,658.92	747,249,547.54
Headwork	236,723,115.41	-	236,723,115.41	236,723,115.41	4	65,270,724.22	9,468,924.62	74,739,648.83	161,983,466.58	171,452,391.19
Power Cannel	77,196,605.84	-	77,196,605.84	77,196,605.84	4	21,268,680.95	3,087,864.23	24,356,545.19	52,840,060.65	55,927,924.89
Reservoir	60,100,076.77	-	60,100,076.77	60,100,076.77	4	11,868,745.67	2,404,003.07	14,272,748.74	45,827,328.03	48,231,331.10
Siphon Structure	13,122,777.94	-	13,122,777.94	13,122,777.94	4	3,618,291.44	524,911.12	4,143,202.56	8,979,575.38	9,504,486.50
Other Civil Works	12,499,839.57	-	12,499,839.57	12,499,839.57	4	3,446,531.10	499,993.58	3,946,524.69	8,553,314.88	9,053,308.47
Access Road	68,485,271.81	-	68,485,271.81	68,485,271.81	4	18,883,171.92	2,739,410.87	21,622,582.79	46,862,689.02	49,602,099.89
Distribution Line	4,083,169.27	8,201,300.59	12,284,469.86	12,284,469.86	4	1,065,168.17	272,677.45	1,337,845.62	10,946,624.24	3,018,001.10
Hydromechanical Works	32,100,241.35	-	32,100,241.35	32,100,241.35	4	8,850,872.01	1,284,009.65	10,134,881.67	21,965,359.68	23,249,369.34
Electromechanical Plants	773,357,893.25	-	773,357,893.25	773,357,893.25	4	196,882,838.59	30,934,315.73	227,817,154.32	545,540,738.93	576,475,054.66
Software	1,336,033.84	-	1,336,033.84	1,336,033.84	25	751,519.03	334,008.46	1,085,527.49	250,506.35	584,514.81
Tools & Equipments	57,446,846.34	1,749,788.99	59,196,635.33	59,196,635.33	15	41,357,536.58	2,520,313.22	43,877,849.80	15,318,785.53	16,089,309.76
Office Equipments	5,068,694.87	1,045,158.99	6,113,853.86	6,113,853.86	25	2,915,930.59	789,663.15	3,705,593.74	2,408,260.12	2,152,764.28
Furniture & Fixture	2,179,886.13	274,247.06	2,454,133.19	2,454,133.19	25	1,613,900.92	189,256.43	1,803,157.35	650,975.84	565,985.21
Miscellaneous Assets	5,740,877.63	138,592.00	5,879,469.63	5,879,469.63	15	4,023,113.05	269,098.48	4,292,211.53	1,587,258.10	1,717,764.58
Vehicles	32,708,075.65	-	32,708,075.65	32,708,075.65	20	23,804,772.43	1,780,660.64	25,585,433.07	7,122,642.58	8,903,303.22
Total	2,617,133,161.11	14,902,287.45	2,632,035,448.56	2,632,035,448.56		747,780,649.00	106,217,662.06	853,998,311.06	1,778,037,137.50	1,869,352,512.11

Investment

Schedule-4

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	7.75% NEA Bond 2069	169,854,000.00	169,854,000.00
2	Sanjen Jalavidhyut Company Ltd.	138,494,368.56	58,671,454.32
3	Madhya Bhotekoshi Jalavidhyut Co. Ltd	30,739,546.62	-
	Total Investment	339,087,915.18	-
4	New Project (Rasuwaghadi)	23,189,541.63	-
	Total	362,277,456.81	228,525,454.32

Stock

Schedule-5

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Store, Spare Parts and Lose Tools	53,455,054.35	30,901,731.53
2	Store from Project	-	-
	Total	53,455,054.35	30,901,731.53

Other Receivable

Schedule-6

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
a	Debtors (NEA)	203,554,814.55	192,855,923.32
b	Receivable Interest	1,615,479.46	16,627,568.04
	Total	205,170,294.01	209,483,491.36

Cash & Bank

Schedule-7

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Himalayan Bank Ltd.	12,946,530.68	34,314,193.17
2	Standard Chartered Bank Ltd.	60,299.38	60,299.38
3	NMB Bank Ltd.	641,588.00	885,111.29
4	Jyoti Bikash Bank Ltd.	1,470,961.43	994,885.93
5	Mega Bank Ltd.	1,470,348.85	-
6	Janta Bank Ltd.	1,249,823.16	-
7	Clean Eneargy Development Bank Ltd.	3,56,543.62	-
8	Everest Bank Ltd.	46,261,701.15	2,351,470.93
9	Nabil Bank Ltd.	8,914,167.28	4,708,588.74
10	Nepal Bank Ltd.	83,661.77	814,934.38
	Total	73,455,625.32	44,129,483.82

Pre-paid, Advance, Borrowing & Deposit

Schedule-8

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
a.	Advance & Borrowing		
1	Staff Borrowing & Advance	822,593.00	870,100.75
2	Other Advances	4,160,417.61	2,349,878.85
	Sub-Total	4,983,010.61	3,219,979.60
b.	Pre-Paid & Advances		
1	Deposit	31,994,233.32	31,740,146.32
2	Pre-Paid Tax	51,607,407.44	23,739,873.20
3	Letter of Credit Bank Guarantee, Margin & Others	-	6,545,053.41
4	Pre-paid Insurance	2,301,592.55	2,080,581.08
	Sub-Total	85,903,233.31	64,105,654.01
c.	Short Term Investment		
1	NIDC Capital Market	70,000,000.00	70,000,000.00
2	Laxmi Bank Ltd.	50,000,000.00	50,000,000.00
3	Nepal Investment Bank Ltd.	200,000,000.00	200,000,000.00
4	Clean Energy Development Bank Ltd.	25,817,900.00	6,752,652.64
5	NMB Bank Ltd.	20,000,000.00	50,000,000.00
6	Siddhartha Bank Ltd.	100,000,000.00	40,000,000.00
7	Global Bank Ltd.	50,000,000.00	100,000,000.00
8	Sanima Bikash Bank Ltd.	20,000,000.00	50,000,000.00
9	Nabil Bank Ltd.	215,000,000.00	55,000,000.00
10	Everest Bank Ltd.	87,500,000.00	245,000,000.00
11	Himalayan Bank Ltd.	475,000,000.00	87,500,000.00
12	Jyoti Bikash Bank Ltd.	40,000,000.00	80,000,000.00
13	DCBL Bank Ltd.	20,000,000.00	14,000,000.00
14	Kist Bank Ltd.	30,000,000.00	20,000,000.00
15	Janta Bank Ltd.	20,000,000.00	20,000,000.00
16	Kumari Bank Ltd.	70,000,000.00	-
17	Lumbini Bank Ltd.	20,000,000.00	-
18	Megha Bank Ltd.	20,000,000.00	-
19	NMB Bank Ltd.	10,000,000.00	-
20	Prime Commercial Bank Ltd.	70,000,000.00	-
21	Machapuchhercha Bank Ltd.	10,000,000.00	10,000,000.00
	Sub-Total	1,623,317,900.00	1,098,252,652.64
	Total	1,714,204,143.92	1,165,578,286.25

Current Liabilities

Schedule-9

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Retention Money	1,511,543.81	885,405.44
2	Payable to Staff	32,200.00	32,200.00
3	NEA Unit Current Account	390,527.98	525,527.98
4	Other Liabilities	5,535,418.80	5,728,021.94
	Total	7,469,690.59	7,171,155.36

Provisions

Schedule-10

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Deferred Tax	74,515,346.80	74,268,125.00
2	Staff Welfare	1,627,231.20	1,463,501.21
3	Staff Leave	3,564,206.52	3,221,167.21
4	Staff .Gratuity	1,830,888.00	1,027,808.00
5	Asset Provision	1,514,848.83	-
6	Staff Bonus	16,862,786.79	15,548,636.94
	Total	99,915,308.14	95,529,238.36

Deferred Expenses

Schedule-11

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Pre-operating Expenses	-	-
2	Share Floating Expenses	8,730,725.20	3,363,477.34
	Total	8,730,725.20	3,363,477.34

Contingent Liabilities

Schedule-12

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Claims made against company but not decided yet (The case is under consideration of Revenue Tribunal)	73,939,098.77	67,217,362.52
2	Contingent Liabilities to be occurred (if decision is made by Large Tax Payer Office against the Company)	23,770,000.17	18,661,291.06
3	Total contract sum of incomplete work-in-progress and receivable capital expenditure	-	-
4	Calls in Arrear	-	-
5	The sum created as liability by Company Director, Managing Director, Manager and Officer or anyone of them collectively or with other individual collectively	-	-
6	Miscellaneous contingent liabilities to be bared by company	-	-
	Total	97,709,098.94	85,878,653.58

Cost of Goods Sold

Schedule-13

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Staff Salary	7,415,982.84	7,343,026.50
2	Staff Allowances	6,785,542.67	6,290,280.66
3	Overtime	2,916,585.00	2,605,033.00
4	Staff Medical	585,470.00	576,230.00
5	Employees Provident Fund	620,799.93	626,941.67
6	Staff Welfare	407,646.95	251,870.35
7	Fuel (Production)	155,110.40	101,953.50
8	Mobile (Production)	22,399.50	15,964.78
9	Store and Reserve	-	7,340,833.82
10	Small Tools	39,966.33	51,309.56
11	Electricity	16,132.00	14,874.64
12	Consultancy	2,082,794.92	129,647.06
13	Other Services	17,164.70	-
14	Other Repair and Maintenance	208,973.29	375,425.86
15	Machine & Equipment	8,446,656.22	2,728,497.76
16	Transmission Line	153,825.00	42,185.00
17	Distribution Line	264,642.50	177,893.80
18	Fuel	1,045,682.28	838,982.32
19	Mobil & Lubricants	94,060.31	120,203.45
20	Vehicle Repair Maintenance	1,547,292.82	965,176.89
21	Civil Repair Maintenance	10,199,644.47	11,687,007.60
22	House Rent	13,333.32	13,333.32
23	Insurance	5,639,008.68	5,558,061.45
24	Registration and Renewal	238,825.00	258,146.67
25	Land Charge	1,395.12	1,282.24
26	Telephone	508,193.62	534,353.51
27	Transportation	42,062.00	23,227.00
28	Training	332,823.00	840,163.14
29	Research and Development	-	119,215.00
30	Printing & Stationery	393,368.20	248,455.16
31	Books and Magazine	24,730.00	39,902.00
32	Advertisement	424,671.02	240,978.00
33	Anniversary and Conference	320,188.14	117,645.00
34	Guest Curtsy	178,715.00	151,122.00
35	Staff Lunch	35,530.00	40,899.00
36	Prize	10,000.00	-
37	Miscellaneous	99,946.25	135,598.00
38	Royalty	17,700,927.22	17,831,788.35
39	Traveling	577,218.00	597,850.00
40	Bank Charges	22,670.00	40,300.00
41	Social Responsibility	4,508,664.59	3,658,831.97
	Total	74,098,641.29	72,734,490.03

Administrative Expenses

Schedule-14

S.N.	PARTICULARS	THIS YEAR (FY2067/068) Rs.	PREVIOUS YEAR (FY2066/067) Rs.
1	Staff Salary	3,260,138.49	2,132,965.94
2	Wages	92,050.00	94,100.00
3	Staff Allowances & Facilities	2,138,822.06	1,724,646.68
4	Overtime	312,786.10	227,770.37
5	Staff Leave Provision	480,673.35	405,569.00
6	Staff Medical	272,250.00	23,428.00
7	Gratuity	846,890.00	69,986.00
8	Employees Provident Fund	294,563.58	201,380.73
9	Staff Insurance	2,223,397.73	868,640.29
10	Other Services	291,879.00	279,760.00
11	Water	69,489.84	68,887.00
12	Electricity	196,034.64	160,315.34
13	Consultancy	1,483,233.90	630,220.00
14	Other Repair	93,592.70	121,636.50
15	Fuel	534,462.42	354,277.51
16	Mobil & Lubricant	49,776.70	54,944.14
17	Vehicle Repair and Maintenance	305,035.60	296,858.28
18	Civil Repair	71,631.30	99,742.50
19	House Rent	1,650,942.00	1,344,445.33
20	Insurance	118,548.08	235,710.09
21	Registration and Renewal	203,420.00	360,500.00
22	Postage and Curier	150.00	1,200.00
23	Telephone	213,948.00	220,937.44
24	Organizational Development	1,259,198.41	489,198.25
25	Training	1,151,419.04	817,952.95
26	Printing & Stationery	456,371.28	431,252.17
27	Books and Magazine	151,360.00	100,037.00
28	Advertisement	1,034,468.56	635,113.56
29	Anniversary and Conference	1,397,804.95	545,777.63
30	Guest Curtsy	182,928.00	174,829.29
31	Miscellaneous	226,787.40	329,163.53
32	Royalty	2,210,000.00	2,210,000.00
33	Meeting Allowances	877,500.00	1,205,500.00
34	Meeting Related Expenses	336,091.28	460,273.74
35	Traveling	99,670.00	117,557.45
36	Bank Charges	5,231.21	1,299.99
37	Loss on Exchange	738,797.96	174,495.30
38	Share Registration Expenses	486,202.50	463,050.00
39	Share Related Expenses	-	123,940.19
40	Directors' Convence & Communication	114,000.00	105,950.00
41	Auditing Fees	276,850.00	175,150.00
42	Auditing Related Expenses	83,029.00	116,259.00
43	Legal Fees	-	178,700.00
44	Donation	154,000.00	98,500.00
45	Assets Loss Provision	1,514,848.83	1,150,558.26
46	Deferred Expenses	2,182,681.29	-
47	Staff Welfare (5% of Excess Sales)	1,627,231.20	1,463,501.21
48	Social Responsibility	3,452,000.00	2,100,000.00
	Total	35,222,186.40	23,645,980.66
	Staff Bonus	16,862,786.79	15,548,636.94
	Grand Total	52,084,973.19	39,194,617.60

PRINCIPAL ACCOUNTING POLICIES

FOR THE YEAR ENDED JULY 16, 2011

A. MAJOR ACCOUNTING POLICIES

1. Financial Statements are prepared in accordance with Nepal Accounting Standard (NAS) and Generally Accepted Principles (GAP) wherever applicable.

2. CAPITALIZATION FIXED ASSETS AND DEPRECIATION

2.1 Historical Cost

Fixed assets are shown at historical Cost.

2.2 Capitalization of minor assets

Machinery, tools, workshop equipment and other equipments for less than NRs.10,000.00 and other assets less than NRs. 5,000.00 are not capitalized. The cost of these items is charged in profit and loss account as revenue expenditure in the respective year of procurement.

2.3 Depreciation and Deferred Expenditure

2.3.1 Depreciation

- i. According to the provision of Electricity Act 2049, the company has made a policy to recover the cost of civil structure, distribution line, hydro-mechanical works and electro-mechanical structure within 25 years of expected life of these assets. In this regard, depreciation for these assets has been charged at 4% p.a. on straight line method.
- ii. In the case of other assets, depreciation is provided on WDV basis as per the provision of Income Tax Act 2058.

2.3.2 Deferred:

Deferred Revenue Expenditure incurred on issuing of equity shares is being deferred for 5 years period from the date of shares allotment. Based on this, the deferred revenue expenditure amounting to NRs. 21,82,681.29 out of NRs. 1,09,13,406.49 is written off in this fiscal year.

3. Stock Valuation

Moving Average Method is applied to determine the value of stock and consumption thereon.

4. Foreign Currency Exchange

The bank deposit in foreign currency is converted into Nepalese currency with the exchange rate published by NRB at the end of Ashad 2068.

5. Accounting of Revenue

Other income except electricity sales and interest income is recorded on cash basis only.

6. Accounting of Project cost

- a. All expenses incurred for carrying out of feasibility study and study license cost are being capitalized as project investment cost in order to transfer this expenditure to new respective project cost, if the same is successful otherwise this expenditure shall be charged as project survey cost.
- b. Project development cost up to Ashad end 2068 relating to Rasuwagadhi Hydroproject amounting to NRs. 231,89,541.63 is being accounted as new project cost.

7. Accounting of Investments

Expenditures relating to following projects upto July 16, 2011 are accounted as investment:

Co. / Project name	Amount NRs.	Project
Sanjen Jalavidhyut Co. Ltd	13,84,94,368.56	Upper Sanjen and Sanjen projects,
Madhya Bhotekoshi Jalavidhyut Co. Ltd	3,07,39,546.62	Madhya Bhotekoshi Project

B. Accounting Policies

1. Installed Capacity:

Although the installed capacity is 20 MW in generation license, the actual capacity of the plant is fixed at 22.56 MW.

2. Income Tax Provision:

- a. Income tax is not provided for 15 years' tax holiday period from the date of power generation, vide: advance ruling from Inland Revenue Department.
- b. Deferred Tax Liability is calculated from 2003/04 to 2009/10 showing the effect on accumulated profit by NRs. 7,42,68,125.00. In this year liability has been increased by NRs. 2,47,221.00 and the total value stands for NRs 7,45,15,346.80.

3. Staff Bonus Provision

As per the provision of Electricity Act 2049, a 2% of net profit is calculated as staff bonus and the same is shown as provision.

4. Provision of Employees Residence

According to the provision of Electricity Act 2049, the company has to provide residence facility to its staffs. Based on this, while calculating allowances to its staff the company has considered residence facility to those staff not having residence facility. However, the company has been providing residence facility to its staff deputed at plant site; so, the company has not been providing any residence facility separately.

5. Gratuity and staff leave are shown in provision

Gratuity and staff leave are shown in provision as per company's rule. However, gratuity provision for the staff deputed from Nepal Electricity Authority (NEA) has not been made but leave is computed as per company's rules.

6. The total debtors NRs. 20,51,70,294.01 include receivable on electricity sales Rs. 20,35,54,814.55 and receivable of interest is NRs. 16,15,479.46 on

bank deposit. Total debtors have been collected on or before the approval of this financial statement.

7. The generation license is valid for 50 years. After the expiry of given time the project shall be handed over to Nepal Government at free of cost.

8. The company has made an agreement with Citizen Investment Trust (CIT) to distribute approved dividend to its shareholders. There is a pending amount NRs. 4,66,45,038.00 from fiscal year 2005/06 to date.

9. The company has issued equity shares to general public in this fiscal year and subscribed amount is collected in the same period. Allotment of shares is in 2011/12 before the approval of financial statement. So, paid up share capital remains of NRs. 82,56,00,000.00 only. However, paid-up share capital of NRs. 96,00,00,000.00 is considered to calculate dividend as the share allotment is made on July 2011.

10. The company has proposed 30% as cash dividend and 40% as bonus share of 96,00,00,000.00. For this purpose, the company has made a provision of NRs. 49,75,14,000 from reserve and surplus and NRs 17,44,86,000.00 from share premium.

11. Related Party Transactions:

- a. Total electricity generated is delivered to NEA.
- b. The company has made an investment NRs. 16,98,54,000.00 on NEA Power Bond 7.75% , 2012.

12. Previous year's figures are rearranged according to requirement.

Five Year Summary of Balance Sheet

(in NRs.Thousand)

PARTICULARS	FY 2010/11	FY 2009/10	FY 2008/09	FY 2007/08	FY 2006/07
Capital & Liabilities					
Share Capital	825,600	729,600.00	729,600.00	729,579.50	729,565.50
Share Premium	174,486	-	-	-	-
Reserve & Surplus	3,096,267.34	2,748,487.99	2,043,739.90	1,636,699.38	1,212,680.16
Long term Loan	-	-	-	-	168,500.00
Total	4,096,353.34	3,478,087.99	2,773,339.90	2,366,278.88	2,110,745.66
Assets					
Fixed Assets	1,778,037.12	1,869,352.51	1,916,282.68	2,011,857.93	2,114,371.30
Work-in-progress	8,407.9	3,927.13	-	-	-
New Project	23,189.56	25,526.82	53,657.54	37,771.68	19,563.40
Investment	339,087.91	228,525.45	169,854.00	169,854.00	-
Total	2,148,722.49	2,127,331.92	2,139,794.22	2,219,483.61	2,133,934.70
Current Assets					
Stock	53,455.05	30,901.73	36,894.30	22,321.95	12,093.61
Receivable	205,170.31	209,483.49	108,655.55	189,691.91	183,960.92
Cash & Bank	73,455.62	44,129.48	248,470.88	277,109.92	34,227.90
Prepaid, Advances, Borrowing & Deposit	1,714,204.14	1,165,578.29	601,054.04	157,106.63	11,518.99
Total Current Assets	2,046,285.12	1,450,092.99	995,074.77	646,230.41	241,801.42
Less: Current Liabilities					
Other Payable	7,469.7	7,171.16	6,726.69	225,713.10	32,821.53
Provision	99,915.3	95,529.24	358,165.87	278,375.39	236,038.56
Total Current Liabilities	107,385.00	102,700.39	364,892.56	504,088.49	268,860.09
Net Current Assets	1,938,900.12	1,347,392.60	630,182.21	142,141.92	(27,058.67)
Deferred Expenditure	8,730.73	3,363.48	3,363.47	4,653.35	3,869.63
Total	4,096,353.34	3,478,087.99	2,773,339.90	2,366,278.88	2,110,745.66

Five Year Summary of Profit and Loss Account

PARTICULARS	FY 2010/11	FY 2009/10	FY 2008/09	FY 2007/08	FY 2006/07
Income from Sales	885,046.36	886,564.91	883,445.99	870,014.52	903,540.79
Cost of Sales	(74,098.64)	(72,734.49)	(58,131.40)	(62,284.26)	(54,088.76)
Gross Profit	810,947.72	813,830.42	825,314.59	807,730.26	849,452.03
Other Income	220.73	171.3	1,359.74	14,669.91	715.44
Interest Income	190,520.74	108,941.20	50,760.75	-	-
Administrative Expenses	(52,084.97)	(39,194.62)	(38,506.69)	(34,158.10)	(33,878.72)
Operating Profit	1,170,118.23	883,748.30	838,928.39	788,242.07	816,288.75
Interest Expenses				(5,130.01)	(45,025.22)
Depreciation	(106,217.66)	(104,732.09)	(103,567.87)	(103,740.00)	(103,786.56)
Deferred Tax	(247,221.80)	(1,584.37)	-	-	-
Profit Before Tax	843,139.34	777,431.85	735,360.52	679,372.06	667,476.97
Corporate Tax	-	-	-	-	-
Profit after Tax	843,139.34	777,431.85	735,360.52	679,372.06	667,476.97



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