



माउन्टेन इनर्जी नेपाल लि. Mountain Energy Nepal Ltd.

पोस्ट बक्स नं. २१७२९, वडा नं. ३०, डिल्लीबजार, काठमाण्डौ, नेपाल। फोन नं. : ०१-४५३७७०५
फ्याक्स नं. ०१-४५३०५६२ | E-mail: info@mountainenergy.com.np | URL: www.mountainenergy.com.np

Statement of Financial Position as on 31st Ashad, 2081

Particulars	As at 31 st Ashad, 2081 (Unaudited)	As at 30 th Chaitra, 2080 (Previous Quarter)	As at 31 st Ashad, 2080 (Previous year)
ASSETS			
Non-current assets			
Property, plant and equipment	27,658,926	28,085,759	28,983,607
Intangible assets	5,771,464,977	5,836,054,198	6,029,821,862
Intangible assets under development (Mistri Khola)	776,875,584	76,350,134	75,092,704
Goodwill (arising on acquisition of Aadshhakti)	14,053,349	14,210,663	14,682,604
Deferred tax assets	-	2,782,856	-
Total non-current assets	5,890,052,836	5,957,483,610	6,148,580,777
Current assets			
Trade and other receivables	762,560,495	744,778,489	748,366,229
Prepayments	42,021,330	35,245,851	35,769,031
Loan and advances	26,007,193	25,661,316	17,912,763
Cash and cash equivalents	131,685,601	275,516,089	87,885,128
Total current assets	962,274,619	1,081,201,745	889,933,151
Total assets	6,852,327,455	7,038,685,355	7,038,513,928
EQUITY AND LIABILITIES			
Equity			
Share capital	2,263,231,050	2,263,231,050	1,968,027,000
Retained earnings	1,027,994,094	1,170,438,316	1,136,962,584
Total equity	3,291,225,144	3,433,669,366	3,104,989,584
Liabilities			
Non-current liabilities			
Loans and borrowings	3,108,189,407	3,177,377,471	3,471,026,386
Deferred tax liabilities	35,439,205	-	37,532,313
Total non-current liabilities	3,143,628,612	3,177,377,471	3,508,558,699
Current liabilities			
Trade and other payables	45,033,225	70,851,518	55,227,645
Loans and borrowings	372,440,474	356,787,000	369,738,000
Total current liabilities	417,473,699	427,638,518	424,965,645
Total liabilities	3,561,102,311	3,605,015,989	3,933,524,344
Total equity and liabilities	6,852,327,455	7,038,685,355	7,038,513,928

MOUNTAIN ENERGY NEPAL LTD.

Statement of Profit or Loss and other Comprehensive Income For the year ended 31st Ashad, 2081

Particulars	Upto 31 st Ashad, 2081 (Unaudited Quarter)	Upto 30 th Chaitra, 2080 (Previous Quarter)	Upto 31 st Ashad, 2080 (Previous Year)
Revenue	976,214,951	870,158,979	1,182,383,269
Cost of sales			
- Amortization on Project Assets	(258,356,885)	(193,767,664)	(254,292,535)
- Other Direct Costs	(206,991,702)	(124,593,510)	(223,768,232)
Gross profit	510,866,364	551,797,805	704,322,502
Administrative expenses	(34,318,870)	(28,495,260)	(32,311,871)
Depreciation and amortisation	(1,792,760)	(1,335,427)	(1,934,013)
Operating profit	474,754,734	521,967,118	670,076,618
Finance income	8,966,636	7,018,844	10,906,907
Finance costs	(268,870,724)	(207,896,416)	(295,638,069)
Staff Bonus	(4,297,013)	(6,421,791)	(7,706,909)
Profit before tax	210,553,633	314,667,755	377,638,547
Income tax expenses			
Current tax	(8,966,809)	(7,804,380)	(3,273,337)
Deferred tax income/(expense)	2,093,108	2,255,518	872,233
Profit for the period	203,679,932	309,118,893	375,237,443
Other comprehensive income	-	-	-
Total comprehensive income	203,679,932	309,118,893	375,237,443

1. Notes to quarterly unaudited financials.

1.1 The unaudited financial statements for the Fourth Quarter ended Ashad 31, 2081 of the FY 2080/81 are reviewed by Audit Committee and authorized to publish by Board of Director of the Company.

1.1.1 Commercial Operation Date and Life of Hydropower Project:

Life (License Period):

- Tadi Khola (Thaprek), license period is valid till 2103 Mangsir 05.
- Mistri Khola license period is valid till 2103 Kartik 19.

Commercial Operation Date (COD):

- Tadi Khola (Thaprek) started commercial operation from 2069 Chaitra 14.
- Mistri Khola started its commercial operation from 2078 Ashadh 03.

1.2 Revenue:

1.2.1 Sale of Electricity:

For the Fourth quarter ended on Ashad 31st, 2081 of the Financial Year 2080/2081, net revenue from sale of electricity generated by Tadi Khola HEP (5 MW) is NRs. 127,125,825 and by Mistri Khola HEP (42 MW) is NRs. 849,089,126.

Revenue for the period is based on terms of the PPA agreement with Nepal Electricity Authority.

1.2.2 Applicable Rate of PPA of Mistri Khola Project

As per PPA dated 2067.10.20 (amended on 2073.01.15), the official date for Commercial date of Operation (COD) was 2076.05.14, but due to technical issues, commercial date of operation was revised to 2078.03.03. Accordingly, date of COD was delayed by 3 years and the effective license period is also reduced to 32 years from approved license period of 35 years.

At present, the company is recognizing revenue using the PPA rate of Fifth Year as per clause 12 of PPA after considering effect of delayed COD by 3 years, whereas NEA has been paying considering the revised COD (i.e., 2078.03.23) but applying the PPA rate of the first year and making payment accordingly. Different interpretation of applicable year rate of PPA has resulted in dispute over total booked Revenue of NRs. 425,677,315.38 of which NRs. 120,002,075.91 is for the current year and balance of NRs. 305,675,239.47 of previous years before interest. NEA, 2007, 2075, 91 is for the current year and balance of NRs. 305,675,239.47 of previous years before interest. NEA has agreed for arbitration proceeding for dispute settlement in Nepal Council of Arbitration (Tribunal) with details till Shrawan 2079. The Tribunal had decided that the contention of company is valid. Based on the decision of the Tribunal, the company had registered its claim to NEA on Mangsir 11, 2080 for release of the amount deducted by it.

1.2.3 Deduction of Energy associated with Tatopani SHP of NEA

As per Clause 38.18 of the PPA, there shall be no deduction of energy associated with Tatopani Small Hydropower System during the month of Ashad, Shrawan, Bhadra and Ashwin, due to sufficiency of water in the river system. Further, there is dispute in deduction of energy during contingency evacuation period. The Company had disputed with NEA and filed claim and both the parties to PPA agreed for arbitration proceedings for dispute settlement. NEA had deducted total of NRs. 303,906,432.00 up to Ashad end 2081. The Tribunal had decided that, out of the total deduction made by NEA NRs. 19,626,800 (till Shrawan 2079) is valid compensation for the energy associated with Tatopani SHP and instructed NEA to make differential payment to the Company.

Based on award of the Tribunal, the Company has charged NRs. 15,618,243.62 in the current year and NRs. 35,517,323 in FY 2079/80 towards compensation for loss of energy for Tatopani SHP. Accordingly, NRs. 252,770,865.37 is to be recovered by the Company from NEA towards excess compensation claimed by it.

1.2.4 Arbitral Award by NEPCA (Tribunal) & High Court, Patan

In regard to the dispute mentioned above in para 1.2.2 & 1.2.3 between Mountain Energy Nepal Limited & Nepal Electricity Authority, Nepal Council of Arbitration (NEPCA), the Tribunal has awarded the dispute in favor of Mountain Energy Nepal Limited via letter Ref No. 306/080/81 dated 27 October 2023.

Nepal Electricity Authority had appealed against the award of NEPCA to the Honorable High Court, Patan vide case registration no 080-FJ-0091; for which the Arbitral decision was upheld by the High Court in favor of Mountain Energy Nepal Limited on 05th May 2024.

1.2.5 Power Evacuation/Contingency Plan

Mistri Khola HEP was operating under the Contingency Plan as per the terms of MoU dated 2073/09/26 between NEA and the Company. NEA with its letter dated 2080/09/20 informed that the operation of Mistri Khola project under Contingency Plan has ended, and hereinafter this project will be allowed to operate in line with terms of PPA

1.3 Amortization:

Both the Projects, Tadi Khola and Mistri Khola Project has recognized an Intangible Asset for the right to sell electricity to NEA as specified in PPA through construction of projects assets under the service concession agreement.

1.3.1 Tadi Khola Project Assets, accounted as intangible assets, are amortized over remaining useful life (Operation License period) of 338 months. The useful life of project asset is the tenure calculated from commercial date of operation. The amortization expense is included in the Cost of Sales.

1.3.2 Mistri Khola Project Assets, accounted as intangible assets, are amortized over remaining useful life (Operation License period) of 304.5 months. The useful life of project asset is the tenure calculated from commercial date of operation. The amortization expense is included in the Cost of Sales.

Final project construction completion certificate is dated Ashwin 12, 2078. Hence, all the expenses relating to the project up to Ashwin 12, 2078 has been capitalized.

1.4 Taxation:

Mistry Khola project is in tax holiday up to Ashad 02, 2088, then after for next five years, tax concession is 50% of applicable tax rate.

100% tax concession period of Tadi Khola HEP ended on Chaitra 13, 2079 and for the next five years, tax concession at the rate of 50% on applicable tax rate is available. Accordingly, tax liability on taxable income of Tadi Khola project is calculated applying the concessional rate of 10% from Chaitra 14, 2079. 100% tax concession period of Mistri Khola HEP is available till Ashadh 02, 2088.

Interest income is not tax exempted as per Section 11 of Income Tax Act, 2058, consequently tax liability on Interest Income has been calculated at the rate of 25% on proportionate basis after deducting the staff bonus.

1.5 Due to error in application of Tax Depreciation Rate on the project assets resulted in understatement of tax depreciation and overstatement of Tax Base in prior periods. Tax depreciation rate and tax base of the project assets have been adjusted retrospectively by giving effect on opening balance of equity, deferred tax asset and liability and deferred income and expenses.

1.6 Related Party Transactions:

There is no related party transaction during the reporting period.

1.7 Key Financial Ratio:

In NRs.

Period	Earnings Per Share (Quarterly)	Net Worth Per Share	Current Ratio	P/E Ratio
This Quarter End	8.99	145.42	2.30	37.19
Previous Quarter End	13.66	151.72	2.53	73.70
Corresponding Previous year's Quarter End (Audited)	19.07	157.77	2.09	52.18

1.8 Challenges

Internal

- Retention of skilled human Resources
- Managing Operational Efficiency

External

- Impact of Climate Change on amount of Rain/Snow Fall in Catchment area
- Supplier Risk as vendors of major project assets is of foreign origin.
- Foreign exchange rate

2. Management Analysis

During the financial year 80/81, electricity generation from Mistri Khola HEP was halted for the period from 15th Jestha 2081 to 20th Shrawan 2081 due to unprecedented flooding at the project's dam site, adversely affected normal operation of Intake Pond and Settling Basin. Normal generation of electricity at this plant resumed from 21st Shrawan 2081

Both the projects (Tadi Khola-HEP and Mistri Khola HEP) are operating satisfactorily. The debt servicing is regular and loan related to Tadi Khola-HEP.

3. Analysis of Share Transactions:

The Major Highlights of Share Transactions During the Quarter are as follows:

Maximum Price NPR	Minimum Price NPR	Closing Price NPR	Total Turnover	Traded Volume	Transaction Days
679.00	500.8	515.00	2,249,846,404.00	3,703,661	58

4. Corporate Governance

The Company has regular Board of Directors and Audit Committee meetings. The management team meet regularly for the smooth running of the Company.

5. Declaration from Management

I take the responsibility for the accuracy of financial and other information detailed in this report for the 12 months period up to Ashad end 2081 of FY 2080/81 and hereby declare that financial and other information detailed in this report are true, based on records and facts, and are complete to the best of my knowledge and that information necessary for taking informed decision by the investors are not concealed.