



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

Unaudited Statement of Financial Position as on 30th Chaitra, 2079

Particulars	"As at 30th Chaitra 2079 (Current Year)"	"As at 30th Poush 2079 (Previous Quarter)"	"As at 30th Chaitra 2078 (Previous year)"
ASSETS			
Non-current assets			
Property, plant and equipment	29,467,108	29,905,397	32,395,666
Intangible Assets (Hydropower Project Assets)	5,996,211,541	6,059,744,551	6,207,686,314
Intangible Assets Under Development	72,748,942	71,748,942	67,482,915
-Research on Mistri Khola Cascade Project	72,748,942	71,748,942	67,482,915
Goodwill (arising on acquisition of Aadhisakti)	14,839,917	14,997,231	15,469,172
Deferred tax assets	121,211	121,211	121,211
Total non-current assets	6,113,388,719	6,176,517,332	6,323,155,278
Current assets			
Trade and other receivables	381,846,086	424,420,782	267,321,912
Prepayments	206,328,067	176,003,551	78,857,283
Loan and advances	70,935,913	69,745,358	50,661,405
Cash and cash equivalents	217,116,228	319,121,123	365,624,697
Total current assets	876,226,294	989,290,814	762,465,297
Total assets	6,989,615,013	7,165,808,146	7,085,620,575
EQUITY AND LIABILITIES			
Equity			
Share capital	1,968,027,000	1,968,027,000	1,968,027,000
Retained earnings	1,064,816,045	1,156,336,351	828,967,425
Total equity	3,032,843,045	3,124,363,351	2,796,994,425
Liabilities			
Non-current liabilities			
Loans and borrowings	3,509,438,968	3,579,843,942	3,914,086,208
Trade and other payables			
Total non-current liabilities	3,509,438,968	3,579,843,942	3,914,086,208
Current liabilities			
Trade and other payables	57,566,000	76,807,853	43,158,316
Loans and borrowings	389,767,000	384,793,000	331,381,626
Total current liabilities	447,333,000	461,600,853	374,539,942
Total liabilities	3,956,771,968	4,041,444,795	4,288,626,150
Total equity and liabilities	6,989,615,013	7,165,808,146	7,085,620,575

MOUNTAIN ENERGY NEPAL LTD.

Unaudited Statement of Profit or Loss and other Comprehensive Income For the period ended 30th Chaitra, 2079

Particulars	Upto This Quarter (Current Year)	Upto 30 th Poush 2079 (Previous Quarter)	Upto 30 th Chaitra 2078 (Previous Year)
Revenue	862,521,500	744,052,525	852,606,698
Cost of sales			
-Amortization on Project Assets	(190,516,583)	(126,986,166)	(188,495,038)
-Other Direct Costs	(161,954,748)	(88,820,560)	(51,131,303)
Gross profit	510,050,169	528,245,799	612,980,357
Net Construction Revenue (As per IFRIC 12)	-	-	6,605,986
Administrative expenses	(26,770,958)	(19,498,978)	(15,572,794)
Depreciation and amortisation	(1,456,724)	(968,142)	(1,527,857)
Operating profit	481,822,487	507,778,679	602,485,692
Finance income	8,170,827	5,937,855	1,898,868
Finance costs	(219,109,955)	(149,073,190)	(168,468,088)
Staff Bonus	(5,417,667)	(7,292,867)	(8,586,210)
Other Income	-	-	182,361
Profit before tax	265,465,692	357,350,477	427,512,623
Income tax expenses			
Current tax	(2,029,997)	(1,470,029)	(515,080)
Previous Year Tax	-	-	-
Deferred tax income/(expense)	-	-	-
Profit for the period	263,435,695	355,880,448	426,997,543
Other comprehensive income	-	-	-
Total comprehensive income	263,435,695	355,880,448	426,997,543

1. Notes to quarterly unaudited financials.

1.1 The unaudited financial statements for the Third Quarter ended Chaitra 2079 of the FY 2079/80 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:** Revenue from sale of electricity is generated by Tadi Khola Project (5 MW) and Mistri Khola Project (42 MW). Tadi Khola Project invoiced Rs. 90,587,777/- and Mistri Khola Project invoiced Rs. 771,933,723/- for the period Shrawan to Chaitra end 2079, to Nepal Electricity Authority as per the terms of PPA.

1.2.2 Applicable Rate of PPA:

As per PPA of Mistri Khola Project 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, COD was delayed by 3 years and the effective license period was also reduced to 32 years from approved license period of 35 years.

At present, the company is booking the revenue using the PPA rate of Third Year as per clause 12 of PPA after considering effect of delayed COD by 3 years, whereas NEA is making payment 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 Rs. 269,193,239/- of which Rs. 114,378,117/- pertains to the current year and balance of Rs. 154,815,122/- pertains to previous years (2078/79 and 2077/78). Both the parties to PPA have agreed for arbitration proceeding for dispute settlement.

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 for Rs. 167,283,072 before interest till Falgun End and both the parties to PPA agreed for arbitration proceedings for dispute settlement.

1.2.4 Power Evacuation

The entire electricity generated could not be evacuated resulting in revenue loss due to constraint on Electricity Transmission Grid owned and operated by NEA, but the MOU for contingency plan executed on 2073.09.26 between NEA and the company provides that the company renounce the right to claim the compensation for the above revenue loss.

1.3 Amortization:

Both the Projects, Tadi Khola and Mistri Khola Project, have recognised 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 have been capitalized.

1.4 Taxation:

Mistri Khola project is currently in tax holiday period up to Ashadh 02, 2088. Tax concession of 50% of applicable tax rate shall be applicable for next five years.

Tadi Khola project tax holiday ended on Chaitra 13, 2079. Tax concession is 50% of the applicable tax rate for the next five years. Accordingly, tax liability on taxable income of Tadi Khola project is calculated applying the concession rate of 10%. Since the Expenditure from Chaitra 14, 2079 to Chaitra 30, 2079 exceeds the Income of same period, no tax liability arises in this quarter.

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 Related Party Transactions:

There is no related party transaction during the reporting period.

1.6 Key Financial Ratio:

In NRs.

Period	Earnings Per Share (Quarterly)	Net Worth Per Share	Current Ratio	P/E Ratio
This Quarter End	13.39	154.11	1.96	62.58
Previous Quarter End (Restated)	18.08	158.76	2.14	44.99
Corresponding Previous Quarter End (Unaudited)	21.70	142.12	2.04	48.62

1.7 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

Operation of Tadi Khola (Thaprek) project is satisfactory. The debt service of the project is satisfactory. Commercial operation of Mistri Khola Project started on Ashadh 03, 2078 and is running smoothly. The debt servicing of the project is regular.

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
879.90	719.00	838.00	99,916,818.80	125,283	56

4. Corporate Governance

Meetings of the Board of Directors and Audit Committee are held at regular intervals and non-compliance of Companies Act 2063 was not noted in this regard. The Board has entrusted the management with the day-to-day affairs of the Company, and it has discharged its duties and responsibilities effectively.

5. Declaration from Managing Director

I take the responsibility for the accuracy of financial and other information detailed in this report for the 9 months period up to Chaitra end 2079 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.