



माउन्टेन इनर्जी नेपाल लि. Mountain Energy Nepal Ltd.

पोष्ट 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 30th Ashwin, 2080

Particulars	"As at 30th Ashwin, 2080 (Unaudited)"	"As at 31st Ashadh, 2080 (Previous Quarter) (Unaudited)"	"As at 31st Ashwin, 2079 (Previous year)"
ASSETS			
Non-current assets			
Property, plant and equipment	28,580,328	28,983,607	29,886,557
Intangible assets	5,922,993,245	5,987,123,346	6,120,471,491
Intangible assets under development	75,092,704	75,092,704	71,529,948
-Research on Mistri Khola Cascade Project	75,092,704	75,092,704	71,529,948
Goodwill (arising on acquisition of Aadhishakti)	14,525,290	14,682,604	15,154,544
Deferred tax assets	2,807,641	527,338	121,211
Total non-current assets	6,043,999,208	6,106,409,599	6,237,163,751
Current assets			
Trade and other receivables	839,077,700	748,366,228	530,789,286
Prepayments	39,594,671	40,604,899	144,256,696
Loan and advances	60,611,278	60,611,279	64,725,645
Cash and cash equivalents	148,401,024	87,885,128	397,214,325
Total current assets	1,087,684,673	937,467,534	1,136,985,952
Total assets	7,131,683,881	7,043,877,133	7,374,149,703
EQUITY AND LIABILITIES			
Equity			
Share capital	1,968,027,000	1,968,027,000	1,968,027,000
Retained earnings	1,436,153,705	1,175,047,577	1,284,605,779
Total equity	3,404,180,705	3,143,074,577	3,252,632,779
Liabilities			
Non-current liabilities			
Loans and borrowings	3,303,186,813	3,471,026,385	3,670,656,422
Total non-current liabilities	3,303,186,813	3,471,026,385	3,670,656,422
Current liabilities			
Trade and other payables	57,510,363	60,038,171	73,218,502
Loans and borrowings	366,806,000	369,738,000	377,642,000
Total current liabilities	424,316,363	429,776,171	450,860,502
Total liabilities	3,727,503,176	3,900,802,556	4,121,516,924
Total equity and liabilities	7,131,683,881	7,043,877,133	7,374,149,703

MOUNTAIN ENERGY NEPAL LTD.

Statement of Profit or Loss and other Comprehensive Income For the period ended 30th Ashwin, 2080

Particulars	Upto 30th Ashwin, 2080 (Current Quarter)	Upto 31st Ashadh, 2080 (Previous Quarter) (Unaudited)	"Upto 31st Ashwin, 2079 (Previous Year)"
Revenue	454,851,522	1,182,383,269	472,399,720
Cost of sales			
-Amortization on Project Assets	(64,130,101)	(254,292,535)	(63,652,797)
-Other Direct Costs	(41,619,127)	(223,768,231)	(40,510,906)
Gross profit	349,102,294	704,322,503	368,236,017
Administrative expenses	(9,214,502)	(32,311,871)	(11,198,768)
Depreciation and amortisation	(435,778)	(1,934,013)	(626,697)
Operating profit	339,452,014	670,076,619	356,410,552
Finance income	2,029,373	10,906,907	3,135,850
Finance costs	(70,856,103)	(295,638,069)	(77,416,320)
Staff Bonus	(5,412,506)	(7,706,909)	(5,642,602)
Profit before tax	265,212,778	377,638,548	276,487,480
Current tax	(3,880,832)	(3,276,119)	(774,661)
Deferred tax income/(expense)	2,280,303	406,127	-
Profit for the period	263,612,249	374,768,556	275,712,819
Other comprehensive income	-	-	-
Total comprehensive income	263,612,249	374,768,556	275,712,819

1. Notes to quarterly unaudited financials.

1.1 The unaudited financial statements for the First Quarter ended Ashwin 2080 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:** Revenue from sale of electricity is generated by Tadi Khola Project (5 MW) and Mistri Khola Project (42 MW). Tadi Khola Project invoiced Rs.48,646,433 and Mistri Khola Project invoiced Rs.406,205,089 for the period Shrawan to Ashwin end 2080, to Nepal Electricity Authority as per the terms of PPA.

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 Fourth 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 Rs.361,981,492 (Rs.174,180,195 till Shrawan 2079) of which Rs.56,436,754 is for the current year and balance of Rs.305,544,738 in previous years (2079/80, 2078/79 and 2077/78) before interest and both the parties to PPA 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 Rs.227,725,632/- till Ashwin 2080 (Rs.109,524,672 till Shrawan 2079). The Tribunal had decided that, out of the total deduction made by NEA Rs.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 decided to charge Rs.35,517,323 in FY 2079/80 and Rs.4,462,355 in FY 2080/81 (till Ashwin 2080). Accordingly, Rs.208,098,832 is to be recovered by the Company from NEA towards excess compensation claimed by it.

1.2.4 Arbitral Award by NEPCA (Tribunal)

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.

1.2.5 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 entered 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 has 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 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 Related Party Transitions:

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	172.97	2.56	57.13
Previous Quarter End (Restated)	19.04	159.71	2.18	44.01
Corresponding Previous year's Quarter End (Audited)	14.01	165.27	2.52	54.35

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) projects is satisfactory. The debt service of the project is satisfactory.

Commercial operation of Mistri Khola Project started on Ashadh 03,2078. The operation of Mistri Khola Project 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
1092.00	730.00	765.00	211,054,635.90	282,346	61

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 3 months period up to Ashwin end 2080 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.