

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MABILUNG ENERGY LTD, LALITPUR, NEPAL

We have audited the accompanying financial statements of Mabilung Energy Ltd which comprise the Balance sheet as at Ashad 31st 2080 and the Income Statement and Cash Flow Statement for the year then ended, change in equity and significant accounting policy and notes to accounts.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

On examination of the financial statements as aforesaid, we report that:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept as far as appears from our examination of such books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company.
4. The business of the company has been conducted satisfactorily;
5. To the best of our information and according to the explanation given to us, the Board of Directors or any employee of the Company have not acted contrary to legal provisions relating to accounts, nor committed any misappropriation or caused loss or damage to the Company.

In our opinion, the financial statements give a true and fair view of, *in all material respects*, the financial position of Mabilung Energy Ltd as of Ashad 31st 2080, and of its financial performance and its cash flows for the period then ended in accordance with Nepal Accounting Standards.

For,

S. Lama & Associates

Suprich Lama
Proprietor

Date: 2080.04.21

Place: Kathmandu

Memb No: 647

Cop No: 553

UDIN No: 230817KA00647mVdyG



Mabilung Energy Ltd.

Lalitpur-10

Balance Sheet


As at Ashadh 31, 2080 (16th July, 2023)


Amount In NRs.

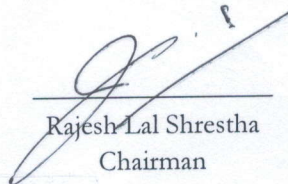
<u>Equity & Liabilities</u>	<u>Schedule</u>	<u>FY 2079/80</u>	<u>FY 2078/79</u>
Shareholder's Fund:			
Share Capital	1	196,770,000.00	95,500,000.00
Advance for Share Capital		-	62,300,000.00
Reserve and Accumulated Profit/(Loss)		1,054,209.80	988,589.01
Total Share Holder'S Fund		197,824,209.80	158,788,589.01
Non Current Liabilities			
Medium & Long Term Loan	2	463,062,546.06	128,190,969.08
Withholding & Retentions	3	21,840,017.65	3,428,983.30
Total Non Current Liabilities		484,902,563.71	131,619,952.38
Current Liabilities			
Accounts & Other Payables	4	109,876,630.56	26,699,982.51
Total Current Liabilities		109,876,630.56	26,699,982.51
Total Equity & Liabilities		792,603,404.06	317,108,523.90
Assets			
Non-Current Assets			
Property, Plant and Equipments	5	2,176,168.00	2,338,157.00
Less: Depreciation		(524,797.00)	(584,539.00)
Total Property Plant & Equipments		1,651,371.00	1,753,618.00
Intangible Assets	5	17,358.00	23,143.00
Less: Amortization		(5,785.00)	(5,785.00)
Total Intangible Assets		11,573.00	17,358.00
Project WIP- Upper Piluwa-3 Hydropower Project	6	684,434,435.98	180,986,559.94
Prepayments	7	13,124.17	54,581.38
Total Non Current Assets		686,110,504.15	182,812,117.32
Current Assets			
Cash And Cash Equivalents	8	6,478,422.02	13,372,485.78
Prepaid, Loan, Advances & Deposit	9	100,014,477.89	120,923,920.80
Total Current Assets (A)		106,492,899.91	134,296,406.58
Total Assets		792,603,404.06	317,108,523.90

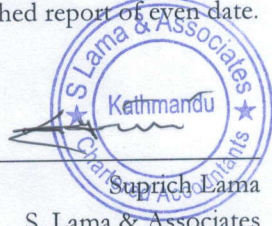
Schedule 1 to 9 forms an integral part of this Financial Statements

As per our attached report of even date.


Priya Shrestha
Account Officer


Dabin Shrestha
Director


Rajesh Lal Shrestha
Chairman


S. Lama & Associates
Chartered Accountants

Date: 2080/04/21
Place: Lalitpur



Mabilung Energy Ltd.

Lalitpur-10

Income Statement

For the period from Shrawan 1, 2079 to Ashadh 31, 2080 (17th July 2022 to 16th July 2023)

Amount In NRs.

<u>Income</u>	Sch	FY 2079/80	FY 2078/79
Sales		-	-
Less, Direct Cost Relating To Sales		-	-
Gross Income		-	-
Add: Other Income		87,494.38	332,078.67
Total Income		87,494.38	332,078.67
Less: Administrative Expenses		-	-
Total Expenses		-	-
Profit / Loss Before Staff Bonus		87,494.38	332,078.67
Staff Bonus		-	-
Profit (Loss) Before Provision For Tax		87,494.38	332,078.67
Current Tax		(21,873.60)	(83,020.00)
Previous Year Income Tax Relief		-	62,825.34
Profit (Loss) Up To The Previous Year		988,589.01	676,705.00
Balance Carried To Balance Sheet		1,054,209.80	988,589.01

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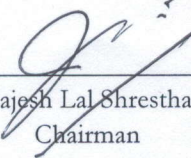
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Priya Shrestha
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Suprich Lama
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Chartered Accountants

Date: 2080/04/21
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Mabilung Energy Ltd.

Lalitpur-10


Cash Flow Statements


For the period from Shrawan 1, 2079 to Ashadh 31, 2080 (17th July 2022 to 16th July 2023)

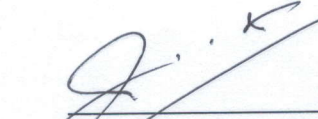
Particulars	Amount In NRs.	
	FY 2079/80	FY 2078/79
<u>Cash Flow From Operating Activities</u>		
Net Profit/(Loss) As Per Income Statement	65,620.79	311,884.01
Add: Depreciation For The Year	524,797.00	584,539.00
Add: Amortization For The Year	5,785.00	5,785.00
Add: Non-Cash Expenses	-	-
Cash Flow from operating activities before changes in WC	596,202.79	902,208.01
(Increase)/Decrease In Current Assets	20,909,441.91	(99,713,730.80)
(Increase)/Decrease In Prepayments	41,457.21	81,060.62
Increase/ (Decrease) In Current Liabilities	83,176,648.05	26,226,801.51
Increase/ (Decrease) In Non Current Liabilities	18,411,034.35	3,428,983.30
Net Cash Flow From Operating Activities (Sub-Total-A)	123,134,784.30	(69,074,677.36)
<u>Cash Flow From Investing Activities</u>		
Less: Investment In Fixed Deposits	-	2,970,000.00
Less: Purchase Of Fixed Assets	(422,550.00)	(18,636,241.00)
Less: WIP Assets Capitalized (Project Cost)	(503,447,876.04)	(95,658,657.94)
Net Cash Flow From Investing Activities (Sub-Total-B)	(503,870,426.04)	(111,324,898.94)
<u>Cash Flow From Financing Activities</u>		
Issue Of Share Capital	101,270,000.00	-
Advance Against Share Capital Received	(62,300,000.00)	61,300,000.00
Medium & Long Term Loan Received	334,871,576.98	128,190,969.08
Net Cash Flow From Financing Activities (Sub-Total-C)	373,841,576.98	189,490,969.08
Total Cash Generated In The Year (A+B+C)	(6,894,063.76)	9,091,393.78
Cash And Equivalent At The Beginning Of The Year	13,372,485.78	4,281,092.00
Cash And Equivalent At The End Of The Year	6,478,422.02	13,372,485.78

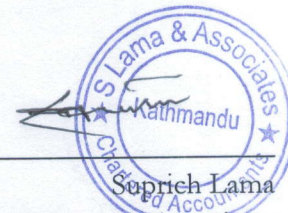
Schedule 1 to 9 forms an integral part of this Financial Statements

As per our attached report of even date.


Priya Shrestha
Account Officer


Dabin Shrestha
Director


Rajesh Lal Shrestha
Chairman


S. Lama & Associates
Chartered Accountants



Date: 2080/04/21
Place: Lalitpur

Mabilung Energy Ltd.

Lalitpur-10


Statement Of Changes In Equity

As at Ashadh 31, 2080 (16th July, 2023)

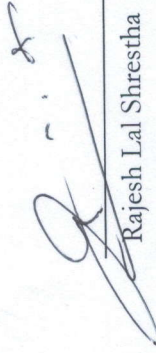
Particulars	Share Capital	Advance for Share Capital	Accumulated Profit/(Loss)	Total
Balance As On 1st Shrawan, 2079	95,500,000.00	62,300,000.00	988,589.01	158,788,589.01
Changes In Accounting Policies	-	-	-	-
Restated Balance	95,500,000.00	62,300,000.00	988,589.01	158,788,589.01
Net Profit/(Loss) For The Period			65,620.79	65,620.79
Share Capital Issued	101,270,000.00			101,270,000.00
Share Application		(62,300,000.00)		(62,300,000.00)
Balance As on 31st Asadh 2080	196,770,000.00	-	1,054,209.80	197,824,209.80

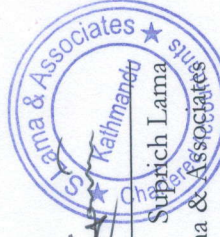
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Date: 2080/04/21
Place: Lalitpur

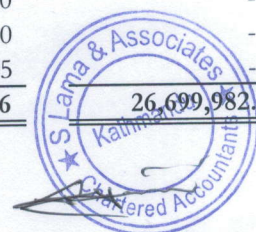
Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

As at Ashadh 31, 2080 (16th July, 2023)

<u>Particulars</u>	<u>FY 2079/80</u>	<u>FY 2078/79</u>
Schedule 1: Share Capital		
Authorized Share Capital		
40,00,000 No. Of Ordinary Share At Rs. 100 Each.	400,000,000	400,000,000
Issued Share Capital		
26,00,000 No. Of Ordinary Share At Rs. 100 Each.	260,000,000	260,000,000
Subscribed & Fully Paid Up Share Capital		
19,67,700 No. Of Ordinary Shares At Rs. 100 Paid Each.	196,770,000	95,500,000
Advance for Share Capital		
6,23,000 No. of Ordinary Shares At Rs. 100 Paid Each	-	62,300,000
Schedule 2: Medium & Long Term Loans		
Himalayan Bank Ltd.	178,442,835.43	49,869,215.15
Laxmi Bank Ltd.	284,619,710.63	78,321,753.93
Total	463,062,546.06	128,190,969.08
Schedule 3: Withholding & Retentions		
Retention-B Fourees P. Ltd.	6,373,172.09	-
Retention-Growth/PES JV	11,456,856.56	3,428,983.30
Retention-Precise Hydro Eng. & Const. Pvt. Ltd.	4,009,989.00	-
Total	21,840,017.65	3,428,983.30
Schedule 4 : Accounts & Other Payables		
A. Withholding Tax (TDS)		
TDS-Individual & Firms (11111)	600.00	600.00
TDS-Public Ltd. (11122)	2,988.00	-
TDS-Pvt. Ltd. (11123)	3,452.00	-
TDS-Other Entity (11124)	1,295,310.18	-
TDS-Salary & Wages (11112)	-	398.00
TDS-SST (11211)	491.00	-
B. Account Payables		
Bridge Gap Loan	74,998,477.57	-
Payable- Audit Fee	44,600.00	44,600.00
Payable- Others	67,500.00	14,000.22
Payable-Office Rent	90,000.00	20,000.00
Provision for Income Tax	21,873.60	83,020.00
Payable-Salary	419,648.00	-
Payable-Nepal Shipping and Air Logistics Pvt. Ltd.	299,130.00	-
Payable- Growth/PES JV	31,690,819.00	26,537,364.29
Payable-Slesha Engineering Consultancy Pvt Ltd	440,918.00	-
Payable-S & U Consult Pvt. Ltd.	22,300.00	-
Payable-Zetwerk Manufacturing Biz. Pvt. Ltd.	47,148.16	-
Payable-ICRA Nepal Limited	54,849.00	-
Payable-Mainawati Steel Industries Pvt. Ltd.	23,192.00	-
Payable-Three Dimensional Freight and Cargo Pvt.Ltd	353,334.05	-
Total	109,876,630.56	26,699,982.51



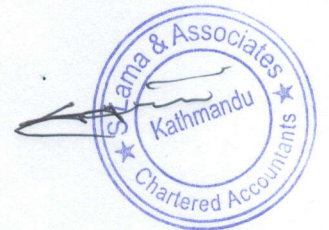
Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

As at Ashadh 31, 2080 (16th July, 2023)

<u>Particulars</u>	<u>FY 2079/80</u>	<u>FY 2078/79</u>
Schedule 7 : Prepayments		
Advance Tax	13,124.17	54,581.38
Total	13,124.17	54,581.38
Schedule 8 : Cash & Bank Balances		
Cash In Hand	2,049.00	4,324.00
Guheswori Merchant Banking & Finance Limited	651,584.73	648,268.93
Laxmi Bank Ltd.	130,256.93	1,066,512.07
Lumbini Bikash Bank Ltd.	-	5,728.92
Bank Margin at Laxmi Bank Ltd.	5,694,531.36	11,647,651.86
Total	6,478,422.02	13,372,485.78
Schedule 9 : Loans ,Advances and Deposits		
Advance -Land Purchase	17,454,443.16	16,678,070.00
Advance Site Office	5,966,307.19	3,500,000.00
Advance- Raj Bandhu & Associates	-	62,500.00
Advance Growth PES/JV	52,765,983.74	85,406,250.00
Advance-B Fourees P. Ltd.	5,769,406.80	15,054,100.80
Advance-Precise Hydro Engineering & Construction Pvt. Ltd.	15,837,068.00	-
Advance ICRA Nepal Ltd.	-	223,000.00
Advance-Avidha Interior Sewa Pvt. Ltd.	200,000.00	-
Advance-Three Jewels Construction Pvt. Ltd.	500,000.00	-
Advance-Transmission Line Land Lease	18,944.00	-
Advance-Vehicle Purchase	1,500,000.00	-
Advance-Others	2,325.00	-
Total	100,014,477.89	120,923,920.80



Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

As at Ashadh 31, 2080 (16th July, 2023)

Schedule 6 : Project WIP- Upper Piluwa-3 Hydropower Project

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Schedule 6.1 : Preoperating Expenses	28,411,738.00	-	28,411,738.00
Schedule 6.2 : Civil Works	259,065,712.00	181,570,669.41	77,495,042.59
Schedule 6.3 : Hydro Mechanical Works	116,388,411.01	116,159,840.30	228,570.71
Schedule 6.4 : Electro Mechanical Works	132,689,906.87	131,145,922.41	1,543,984.46
Schedule 6.5 : Transmission Line and Switchyard Cost	23,768,963.45	21,941,753.45	1,827,210.00
Schedule 6.6 : Environment and Social Mitigation Cost	2,400,702.00	1,242,177.00	1,158,525.00
Schedule 6.7 : Project Management & Construction Supervision Expenses	38,644,337.83	11,206,134.83	27,438,203.00
Schedule 6.8 : Land Acquisition	30,261,462.00	-	30,261,462.00
Schedule 6.9 : Interest During Construction	52,803,202.82	40,181,378.64	12,621,824.18
Project WIP- Upper Piluwa-3 Hydropower Project	684,434,435.98	503,447,876.04	180,986,559.94

Schedule 6.1 : Pre-Operating Expenses

Amount in NRs.

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Audit Fee	90,000.00	-	90,000.00
Bank Charges	30,245.00	-	30,245.00
Depreciation Expenses	870,528.00	-	870,528.00
DPR & Feasibility Study Expenses	1,676,725.00	-	1,676,725.00
Environmental Impact Assessment Expenses	565,000.00	-	565,000.00
Fuel & Transportation Expenses	283,254.00	-	283,254.00
Fuel Expenses	119,967.00	-	119,967.00
Labour, Porter & Transportation Expenses	3,022,050.00	-	3,022,050.00
Legal & Accounting Expenses	32,000.00	-	32,000.00
License Fee, Renewal & Registration Expenses	4,000,000.00	-	4,000,000.00
Lodging Fooding Expenses	501,276.00	-	501,276.00
Office Expenses	324,285.00	-	324,285.00
Office Kitchen/Entertainment Expenses	396,155.00	-	396,155.00
Office Rent Expenses	1,047,500.00	-	1,047,500.00
PPA Related Expenses	90,000.00	-	90,000.00
Printing and Stationery Expenses	334,676.00	-	334,676.00
Registration and Renewal Expenses	26,500.00	-	26,500.00
Salary Expenses	9,465,000.00	-	9,465,000.00
Site Office Expenses	542,845.00	-	542,845.00
Site Visit/ Travelling Expenses	2,764,311.00	-	2,764,311.00
Survey License Fee	2,000,000.00	-	2,000,000.00
Telephone & Communication Expenses	130,030.00	-	130,030.00
Water & Electricity Expenses	101,394.00	-	101,394.00
Less: Interest Income	(2,003.00)	-	(2,003.00)
Total	28,411,738.00	-	28,411,738.00

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Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

Schedule 6.2 : Civil Works

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Civil Works Expenditure	258,925,000.00	181,429,957.41	77,495,042.59
Temporary Store Construction	140,712.00	140,712.00	-
Total	259,065,712.00	181,570,669.41	77,495,042.59

Schedule 6.3 : Hydro Mechanical Works

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Custom Charges for HM Equipments	2,139,528.05	2,139,528.05	-
Installation Testing & Commissioning of HM Works	6,566,725.00	6,566,725.00	-
L.C Commission & Ammendment Charges-HM	389,641.28	163,570.57	226,070.71
L.C Issuance Charge- HM	2,500.00	-	2,500.00
Supply of HM Plates & Pipes	100,897,846.68	100,897,846.68	-
Transportation Charge of Plates & Pipes	6,392,170.00	6,392,170.00	-
Total	116,388,411.01	116,159,840.30	228,570.71

Schedule 6.4 : Electro Mechanical Works

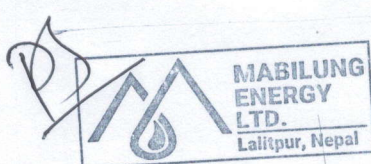
Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Bank Guarantee Issuance Charge	85,020.00	19,305.00	65,715.00
Cost of NEEK Transformer	602,290.00	602,290.00	-
Custom Expenses of EM Equipment	2,221,873.00	2,221,873.00	-
Insurance of EM Equipments	127,825.95	127,825.95	-
L.C Commission & Ammendment Charges-EM	1,646,240.92	381,696.46	1,264,544.46
L.C Issuance Charge-EM	9,000.00	1,500.00	7,500.00
Logistics Services of EM Equipments	141,250.00	141,250.00	-
Review of Electromechanical Works	341,825.00	135,600.00	206,225.00
Supply & Installation of EM Equipments	127,463,392.00	127,463,392.00	-
TOD Meter Expenses	51,190.00	51,190.00	-
Total	132,689,906.87	131,145,922.41	1,543,984.46

Schedule 6.5 : Transmission Line and Switchyard Cost

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Compensation of Land for TL Works	1,474,000.00	1,474,000.00	-
Desk Study Report for Survey License of TL	75,145.00	-	75,145.00
Detail Feasibility Study, Design & IEE-TL	2,502,950.00	750,885.00	1,752,065.00
Supply of 33kv Transmission Poles and Accessories	19,490,108.45	19,490,108.45	-
Survey Equipments	20,340.00	20,340.00	-
Switchyard Expenses	206,420.00	206,420.00	-
Total	23,768,963.45	21,941,753.45	1,827,210.00

Schedule 6.6 : Environment and Social Mitigation Cost

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Community Support Program Expenses	194,871.00	194,871.00	-
Environmental Impact Assessment Expenses	1,129,775.00	171,250.00	958,525.00
Land Compensation & Settlement Expenses	200,000.00	-	200,000.00
Land & Crop Compensation Expenses	270,000.00	270,000.00	-
Land Lease at Site	200,000.00	200,000.00	-
Site Office Rent Expenses	55,556.00	55,556.00	-
Social and Cultural Expense	130,500.00	130,500.00	-
Social Mitigation Expenses	220,000.00	220,000.00	-
Total	2,400,702.00	1,242,177.00	1,158,525.00



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Mabilung Energy Ltd.

Lalitpur-10

Schedules Forming Parts Of The Financial Statements

Schedule 6.7 : Project Management & Construction Supervision Expenses

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
A. Project Management Expenses			
Advertisement & Notice Publication Expenses	156,446.00	6,870.00	149,576.00
Amortization Expenses	17,355.00	5,785.00	11,570.00
Audit Fee	130,400.00	45,200.00	85,200.00
Bank Charges	43,097.00	6,852.00	36,245.00
Business Promotion Expenses	19,110.00	-	19,110.00
Certification Expenses	28,250.00	-	28,250.00
Depreciation Expenses	2,037,699.00	524,797.00	1,512,902.00
Fines & Penalties	24,623.81	5,724.81	18,899.00
Food and Accomodation	91,066.00	91,066.00	-
Fuel Expenses	289,112.00	274,972.00	14,140.00
Generation License Fee	500,000.00	-	500,000.00
Internet Expenses	24,000.00	24,000.00	-
Labour & Porter Expenses	1,888,992.00	131,954.00	1,757,038.00
Legal & Accounting Expenses	263,000.00	-	263,000.00
License Fee, Deposite & Registration Expenses	162,566.00	162,566.00	-
Lodging Fooding Expenses	1,088,595.00	820,545.00	268,050.00
Office Expenses	317,447.24	159,344.24	158,103.00
Office Kitchen/Entertainment Expenses	756,896.00	117,249.00	639,647.00
Office Meeting Expenses	109,007.00	31,571.00	77,436.00
Office Rent Expenses	4,800,000.00	1,200,000.00	3,600,000.00
Printing and Stationery Expenses	422,897.00	105,789.00	317,108.00
Program Sponsorship Participation Expenses	65,000.00	65,000.00	-
Registration and Renewal Expenses	382,232.00	10,010.00	372,222.00
Regulatory Meeting Allowances	605,468.00	570,174.00	35,294.00
Repair and Maintenance Expenses	231,693.78	205,063.78	26,630.00
Safety, Medical & Engineering Expenses	5,010.00	5,010.00	-
Salary Expenses	12,563,577.00	4,728,633.00	7,834,944.00
Site Office Expenses	361,470.00	242,910.00	118,560.00
Site Visit/ Travelling Expenses	2,683,911.00	493,155.00	2,190,756.00
Survey License Fee	30,000.00	10,000.00	20,000.00
Telephone & Communication Expenses	57,288.00	15,150.00	42,138.00
Water & Electricity Expenses	390,925.00	144,477.00	246,448.00
Accidental Insurance Expenses	22,910.00	22,910.00	-
B. Project Consultants & Supervision Expenses			
Borrowers Rating Fee	281,587.00	281,587.00	-
Review of Contract Documents	105,000.00	-	105,000.00
Due Diligence Audit Expenses	724,104.00	-	724,104.00
DPR & Feasibility Study Expenses	3,093,375.00	-	3,093,375.00
Financial Consulting Service Fee	1,038,470.00	253,120.00	785,350.00
Geophysical Investigation Expenses	1,671,835.00	-	1,671,835.00
Issue Management Fee	269,500.00	269,500.00	-
Layout Marking Expenses	229,373.00	-	229,373.00
Technical Consultancy Service Fee	661,050.00	175,150.00	485,900.00
Total	38,644,337.83	11,206,134.83	27,438,203.00

Schedule 6.8 : Land Acquisition

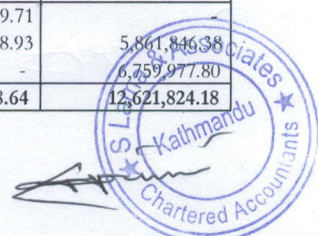
Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Land Purchase	30,261,462.00	-	30,261,462.00
Total	30,261,462.00	-	30,261,462.00

Schedule 6.9 : Interest During Construction

Particulars	FY 2079/80	Addition During The Year	FY 2078/79
Agency Fee	1,345,439.71	1,345,439.71	-
Interest During Construction	44,697,785.31	38,835,938.93	5,861,846.38
Loan Management Fee	6,759,977.80	-	6,759,977.80
Total	52,803,202.82	40,181,378.64	12,621,824.18



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Mabilung Energy Ltd.

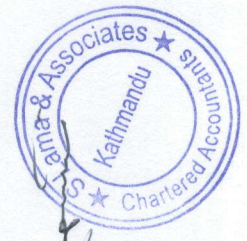
Lalitpur-10

Schedules Forming Parts Of The Financial Statements

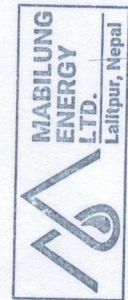
As at Ashadh 31, 2080 (16th July, 2023)

Schedule--5

Assets	Dep. Rate	Opening Balance	Addition During The Year	Total Balance at Cost Price	Depreciation For The Period	Closing Balance
Pool A						
Building		-	-	-	-	-
Total A						
Pool B						
Furniture And Fixture	25%	1,014,875.42	-	1,014,875.42	253,718.86	761,156.57
Computer & Printers	25%	352,640.92	29,000.00	381,640.92	95,410.23	286,230.69
Office Equipments	25%	216,778.64	8,650.00	225,428.64	56,357.16	169,071.48
Construction & Decoration	25%	169,322.57	-	169,322.57	42,330.64	126,991.93
Total B		1,753,618.00	*37,650.00	1,791,268.00	447,817.00	1,343,451.00
Pool C						
Vehicle	20%	-	384,900.00	384,900.00	76,980.00	307,920.00
Total C			384,900.00	384,900.00	76,980.00	307,920.00
Pool D						
Machinery Equipment						
Total D						
Total (A+B+C+D)		1,753,618.00	422,550.00	2,176,168.00	524,797.00	1,651,371.00
Pool E						
Software	5	17,358.00	-	17,358.00	5,785.00	11,573.00



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Mabilung Energy Ltd.

Lalitpur-10

Schedule Forming Part of Financial Statements for the Year Ended Ashadh 31, 2080

Significant Accounting Policies and Other Explanatory Notes

1. Corporate Information

Mabilung Energy Ltd. is a Limited liability company established and registered in 2071 BS as a Private Limited Company under Company Act 2063 with an aim to invest & develop hydropower projects. It was then converted into Public Limited Company in 2076/11/12 under Company Act 2063 (Regd.235243/076/077). The Corporate office of the company is located at Lalitpur-10, Nepal.

It has obtained feasibility study license from Department of Electricity Development (DoED) on 2074/07/26 for developing Upper Piluwakhola Khola-3 Hydroelectric Project 4.95 MW in Sankhuwasabha District. The company has completed initial phase of research of the project and has obtained generation license from DoED on 2077/04/09 for tenure of 35 year. Connection agreement between NEA & Mabilung Energy Pvt. Ltd. has been completed. Power Purchase Agreement (PPA) with NEA was concluded on 2075/12/12. The Required Commercial Operation Date (RCOD) of the Project is 2080-11-14. Company has entered into financial arrangement agreement with Laxmi Bank Ltd. as lead bank and Himalayan Bank Ltd. as consortium bank on 2077-11-10.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for the whole period and to all the years presented, unless otherwise stated.

A. Statement of Compliance

The financial statements have been prepared in accordance with Nepal Accounting Standards ("NAS"), except otherwise stated, and to comply with the requirement of Companies Act, 2063.

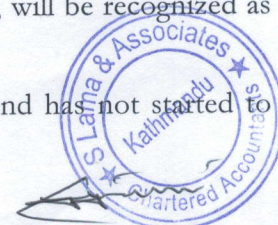
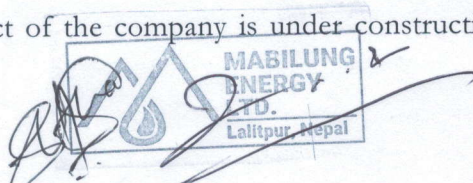
B. Method of Accounting

- i) The accounts have been prepared on accrual basis, in accordance with Nepal Accounting Standards (NAS), which have been prescribed by the Companies Act, 2063, to the extent applicable and other relevant practices.
- ii) The financial statements are prepared on the historical cost convention. The preparation of financial statements in conformity with NAS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in process of applying the Company's accounting policies and accounting estimates.

C. Revenue Recognition

- i) **Hydroelectricity Sales:** Company has the policy to recognize income from sale of hydroelectricity on accrual basis and based on the invoice issued to Nepal Electricity Authority (NEA), which is subject to confirmation from Nepal Electricity Authority (NEA). Any subsequent disputed amount deducted by NEA, if any, will be recognized as an expense on the year of confirmation.

However; the sole project of the company is under construction and has not started to generate the electricity.



- ii) **Other Revenue:** Other revenue is recognized on accrual basis except dividend income which shall be recognized when right to receive is established.

D. Revenue Expenditure

Expenditure incurred for the operation and management of projects which are already started the commercial operation is recognized as revenue expenditure and treated as operation and administrative costs. Whereas, direct expenditures incurred for the projects, which are under construction and not started the commercial operation, has been capitalized as project development cost under the related project head.

E. Fixed Assets and Depreciation/Amortization

- i) Fixed Assets are recorded at cost less accumulated depreciation and impairment loss, except otherwise stated. Where cost is calculated considering the purchase/construction costs and other direct costs.
- ii) Fixed Assets related to the hydropower projects are classified as Project Assets and treated as the Leasehold assets as they are transferrable to the Government of Nepal after completion of the electricity generation license.
- iii) Depreciation on the Project Assets will be charged on Straight Line Method over the useful period of license i.e. starting from the year of commercial operation of the projects.
- iv) Depreciation is charged off to the Income Statement as per the provisions of Schedule-2 of the Income Tax Act, 2058, which is not as per the provision of Nepal Accounting Standard 06 on Property Plant and Equipment.

F. Capitalization of Borrowing Costs and other Expenditure

Interest and other borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. And interest and other borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are charged as financial expenses on accrual basis. (A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.)

G. Inventories

Inventories have been measured at the lower of cost and net realizable value.

H. Cash and Cash Equivalent

Cash and Cash Equivalent represent cash in hand, balance in bank accounts and Margins held by bank at the year end.

I. Employee Benefits

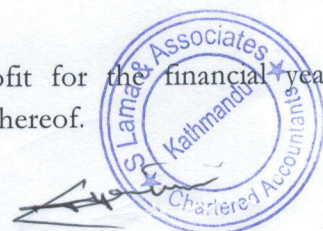
Company has policy of recognizing the employee related liabilities, except regular salary and benefits, on cash basis.

J. Investments

Investments are recognized at cost price.

K. Income Taxes

Provision for current tax is made with reference to taxable profit for the financial year determined under the provisions of Income Tax Act, 2058 and Rules thereof.



3. Notes to the Annual Accounts

A. Share Capital

The authorized Share Capital of company is NRs. 40,00,00,000 ; issued Capital 26,00,00,000 and paid up share capital is NRs. 19,67,70,000.

B. Revenue

- i. The Company is constructing the Upper PiluwaKhola-3 Hydropower Project-4.95 MW, the only project being operated by the company at the end of the period, and accordingly has no income from sale of electricity during the period.
- ii. During the period company has interest income of NRs. 87,494.38 and same has been shown as other income in income statement.

C. Changes in Accounting Policies

The Board of the company has its policy not to show project related income and expenses on income statement during construction period for the better presentation of its financial statements. Accordingly, administrative expenses and depreciation for general assets are capitalized under project WIP.

D. Fixed Assets, Project Assets and Depreciation

Fixed assets, based on their nature, are classified into following groups and depreciation is charged on diminishing balance method, except project assets which will be depreciated on SLM basis over remaining license period of the project, at the following rates:

1. Building & Structure	5%
2. Computer & Office Equipment	25%
3. Vehicles	20%
4. Plant and Machineries	15%

- i) As per the provision of the license granted to the company by the Department of Electricity Development (DOED), the total project assets of the project is to be transferred to the Nepal Government after expiry of the generation license.

As per the policy of the company, total depreciation of fixed assets during the year is NRs.5,24,797. Depreciation on fixed assets has been capitalized to project cost.

E. Intangible Assets and Amortization

Intangible assets are amortized on SLM basis over the useful life of the assets. Total amortization for the year is NRs.5,785. . Amortization on intangible assets has been capitalized to project cost.

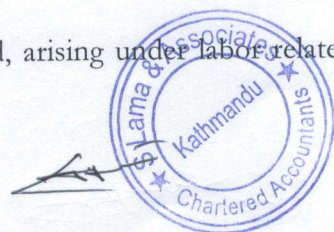
F. Employees Benefits

Company has not recognized provision for gratuity, provident fund leave and other retirement benefits.

Due to the loss in the current period no provision for employee benefits has been recognized during the year.

Any type of liabilities towards employees' benefits, except provided, arising under labor related laws will be recognize on cash basis.

G. Income Tax Liability



- i) Company has other income of NRs. 87,494.38 during the period and accordingly provision for income tax has been recognized.
- ii) Deferred tax has not been recognized during the year.

