

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PURE ENERGY LIMITED

### Opinion

We have audited the Financial Statements of **Pure Energy Limited** (hereinafter referred to as "the Company"), which comprise Statement of Financial Position as on Ashad 31<sup>st</sup>, 2080 (July 16<sup>th</sup>, 2023), Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory Notes and information.

In our opinion and to the best of our information and according to the explanation given to us, the aforesaid financial statement, read together with significant accounting policies and notes forming part of the financial statement give the information required by the provisions of Nepal Companies Act, 2006, as amended ("the Act") in the manner so required, give a true and fair view in conformity with the Nepal Financial Reporting Standards (NFRS), of the state of affairs of the company as on Ashad 31<sup>st</sup>, 2080 (July 16<sup>th</sup>, 2023), its profit or loss, changes in equity and cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the company in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants (Code of Ethics) together with the ethical requirements that are relevant to our audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidences we obtained are sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

### Key Audit Matters

Key audit matters are those matters that in our professional judgment were of significance in our audit of financial statement of the current period. Based on the circumstances and facts of the audit and the Company, we consider following as key audit matter:

S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
1	<b>Property, Plant and Equipment:</b> (Refer Note 4 of the financial statements)	
	There are areas where management judgement impacts the carrying value of	We assessed the controls in place over the Property, Plant and Equipment, evaluated the



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S.N.	Details of key Audit Matters	How the matters were addressed in our audit.
	Property, plant and equipment and their depreciation or amortization rates. These include the decision to capitalize or expense the costs, the annual capitalization of assets and the use of management assumption and estimates for the determination of the measurement and recognition criteria for assets retired from active use. Due to the materiality in the context of the balance sheet of the company and the level of judgement and estimates required, we consider this to be a Key Audit Matter.	appropriateness of capitalization process, performed tests on costs capitalized, the timeliness of the capitalization of the assets and the derecognition criteria for assets retired from active use in performing these procedures, we reviewed the judgments made by the management including the nature of underlying costs capitalized, impairment, determination of realizable value of the assets retired from the active use, the appropriateness of useful life of assets. We have observed that the management has regularly reviewed the aforesaid judgments and there are no material misstatement of impairment and capitalization of assets.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The company's Management and Board of Directors are responsible for preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS). The responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### Auditors' Responsibility for the Audit of Financial Statements

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 (NSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Reasonable



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assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represent the underlying transactions and events in a manner and achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonable be considered to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.



We describe those matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

On the basis of our examination, we further report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. In our opinion, the Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity attached thereto, for the year then ended and notes to the financial statements, including a summary of significant Accounting Policies and other Explanatory Notes and information dealt with by this report are in compliance with the provisions of the Companies Act, 2063 and are in agreement with the books of account maintained by the company.
- iii. In our opinion, Proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
- iv. 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 necessary for the purposes of audit, we have not come across cases where the management group or any employees of the Company have acted contrary to legal provisions relating to accounts, or committed any misappropriation or caused loss or damage to the company; and
- v. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the books of accounts.

**For: A.S.R & Associates**  
Chartered Accountants

*Upahar*

**CA Upahar Raj Ghimire**  
Partner  
COP No.: 644  
UDIN - 240113CA00578Uq7BP



Date: 14-12-2023 (2080-08-28)  
Place: Lalitpur



**Name: Pure Energy Limited**

**Subject : Auditor's Report and Annual Accounts for FY 2022-23  
(2079-80)**

**ASR & Associates**  
(Chartered Accountants)

**Pure Energy Limited**  
**Statement of Financial Position**  
**As on Ashad 31, 2080 (July 16, 2023)**

Particulars	Notes	As on July 16, 2023	As on July 16, 2022
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipments	4	2,056,114,144.98	692,865,764.33
Intangible Assets	5	5,387,706.73	-
Right-of-use Assets	6	144,803,133.70	-
Other Assets	10.1	122,084,485.10	78,195,592.87
<b>Total Non Current Assets</b>		<b>2,328,389,470.51</b>	<b>771,061,357.20</b>
<b>Current Assets</b>			
Inventories		-	-
Cash and Cash Equivalents	7	630,039.99	43,054,319.84
Trade Receivables	8	23,429,890.27	-
Prepayments	9	5,297,162.68	32,422.73
Other Assets	10.2	262,151.67	858,532.00
<b>Total Current Assets</b>		<b>29,619,244.61</b>	<b>43,945,274.57</b>
<b>Total Assets</b>		<b>2,358,008,715.12</b>	<b>815,006,631.77</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share Capital	11	500,050,000.00	94,450,000.00
Share Application Money	12	68,293,425.81	41,723,425.81
Other Equity	13	(4,137,262.33)	(1,906,792.63)
<b>Total Equity</b>		<b>564,206,163.48</b>	<b>134,266,633.18</b>
<b>Non Current Liabilities</b>			
Long Term Borrowings	14	1,674,617,672.82	254,500,000.00
Trade Payables	15.1	-	6,437,950.83
Other Liabilities		-	-
<b>Total Non Current Liabilities</b>		<b>1,674,617,672.82</b>	<b>260,937,950.83</b>
<b>Current Liabilities</b>			
Trade Payables	15.2	31,138,024.28	418,679,674.37
Short Term Borrowings	16	65,526,000.00	-
Other Liabilities	17	22,520,854.54	1,122,373.39
Provisions		-	-
<b>Total Current Liabilities</b>		<b>119,184,878.82</b>	<b>419,802,047.76</b>
<b>Total Equity and Liabilities</b>		<b>2,358,008,715.12</b>	<b>815,006,631.77</b>

Summary of Significant Accounting Policies  
and explanatory notes form integral part  
of the Financial Statement

1 to 36

For & on behalf of the Board

  
**Akshay Golyan**  
Chairman

  
**Nishant Goyal**  
Director

Place : Kathmandu  
Date : 2023-12-08

  
**Kaustub Rijal**  
Finance Manager

In terms of our report of even date  
**For: A.S.R & Associates**  
Chartered Accountants

  
**CA Upahar Raj Ghimire**  
Partner  
COP No. :-644





# Pure Energy Limited

## Statement of Profit or Loss


For the year ended Ashad 31, 2080 (July 16, 2023)

Particulars	Schedule	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>Income:</b>			
Revenue From Operations	18	29,392,419.27	-
Miscellaneous Income		-	-
<b>Total Revenue</b>		<b>29,392,419.27</b>	<b>-</b>
<b>Expenses:</b>			
Cost of Goods Sold	19	68,350.68	-
Employee Cost	20	-	-
Administration Expenses	21	215,124.00	353,280.41
Borrowing Cost	22	20,329,882.79	-
Depreciation and Amortization	23	11,009,531.50	117,332.47
<b>Total Expenditure</b>		<b>31,622,888.97</b>	<b>470,612.88</b>
<b>Profit/(Loss) Before Tax</b>		<b>(2,230,469.70)</b>	<b>(470,612.88)</b>
Less			
Current Tax		-	-
Deferred Tax		-	-
Prior Year Taxes		-	-
<b>Net Profit/(Loss) After Tax</b>		<b>(2,230,469.70)</b>	<b>(470,612.88)</b>

Summary of Significant Accounting Policies  
and explanatory notes form integral part  
of the Financial Statement

1 to 36

For & on behalf of the Board

  
**Akshay Golyan**  
Chairman

  
**Nishant Goyal**  
Director

Place : Kathmandu  
Date : 2023-12-08

  
**Kaustuv Rijal**  
Finance Manager

In terms of our report of even date

**For: A.S.R & Associates**  
Chartered Accountants

  
**CA Upahar Raj Ghimire**  
Partner  
COP No. :-644



# Pure Energy Limited

## Statement of Cash Flows

For the year ended Ashad 31, 2080 (July 16, 2023)

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>A Cash Flow from Operating Activities:</b>		
Profit/(Loss) after Tax	(2,230,469.70)	(470,612.88)
<b>Adjustments for:</b>		
Borrowing Cost	20,329,882.79	-
Depreciation	11,009,531.50	117,332.47
<b>Cash generated from Operation before W/C change</b>	<b>29,108,944.59</b>	<b>(353,280.41)</b>
<b>Add/Less:</b>		
(Increase)/Decrease in Trade Receivables	(23,429,890.27)	-
(Increase)/Decrease in Prepayments	(5,264,739.95)	(32,422.73)
(Increase)/Decrease in Other Assets	596,380.33	141,468.00
Increase/(Decrease) in Trade Payables	(387,541,650.09)	417,649,742.63
Increase/(Decrease) in Other Liabilities - Current	21,398,481.15	1,037,637.18
<b>Net Cash Flow From Operating Activities</b>	<b>(365,132,474.24)</b>	<b>418,443,144.67</b>
<b>B Cash Flow from Investing Activities :</b>		
(Increase)/Decrease in Property, Plant and Equipment	(1,373,882,099.08)	(77,967,832.87)
(Increase)/Decrease in Intangible Assets	(5,763,519.80)	-
(Increase)/Decrease in ROU Assets	(144,803,133.70)	-
(Increase)/Decrease in Other Assets - Non Current	(43,888,892.23)	(597,025,123.71)
<b>Net Cash Flow From Investing Activities</b>	<b>(1,568,337,644.81)</b>	<b>(674,992,956.58)</b>
<b>C Cash Flow from Financing Activities :</b>		
Receipt from Share issue	405,600,000.00	61,650,000.00
Receipt from Share Application Money	26,570,000.00	(23,013,290.00)
Increase/(Decrease) in Other Liabilities - Non Current	(6,437,950.83)	6,437,950.83
Borrowing Cost	(20,329,882.79)	-
Increase/(Decrease) in Short Term Borrowings	65,526,000.00	-
Increase/(Decrease) in Long Term Borrowings	1,420,117,672.82	254,500,000.00
<b>Net Cash Flow From Financing Activities</b>	<b>1,891,045,839.20</b>	<b>299,574,660.83</b>
<b>Net Increase in cash &amp; cash equivalents</b>	<b>(42,424,279.85)</b>	<b>43,024,848.92</b>
Opening Cash & Cash Equivalents	43,054,319.84	29,470.92
<b>Closing Cash &amp; Cash Equivalents</b>	<b>630,039.99</b>	<b>43,054,319.84</b>

For & on behalf of the Board

**Akshay Golyan**  
Chairman

**Nishant Goyal**  
Director

Place : Kathmandu  
Date : 2023-12-08

**Kaustub Rijal**  
Finance Manager

In terms of our report of even date

**For: A.S.R & Associates**  
Chartered Accountants

**CA Upahar Raj Ghimire**  
Partner  
COP No. :-644



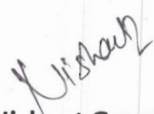


**Pure Energy Limited**  
**Statement of change in equity**  
For the year ended Ashad 31, 2080 (July 16, 2023)

Particulars	Equity Share Capital	Advance for Share Capital	Accumulated Profit/(Loss)	Total
Balance as at Ashad 31 2078	32,800,000.00	-	(1,436,179.75)	31,363,820.25
Change in accounting policy	-	-	-	-
Restated Balance	32,800,000.00	-	(1,436,179.75)	31,363,820.25
Net Profit/(loss) for the period	-	-	(470,612.88)	(470,612.88)
Transfer to general reserve	-	-	-	-
Dividend	-	-	-	-
Advance for Share Capital	-	41,723,425.81	-	41,723,425.81
Issue of Share Capital	61,650,000.00	-	-	61,650,000.00
<b>Balance as at Ashad 32, 2079</b>	<b>94,450,000.00</b>	<b>41,723,425.81</b>	<b>(1,906,792.63)</b>	<b>134,266,633.18</b>
Change in accounting policy	-	-	-	-
Restated Balance	94,450,000.00	41,723,425.81	(1,906,792.63)	134,266,633.18
Net Profit/(loss) for the period	-	-	(2,230,469.70)	(2,230,469.70)
Transfer to general reserve	-	-	-	-
Dividend	-	-	-	-
Advance for Share Capital	-	26,570,000.00	-	26,570,000.00
Issue of Share Capital	405,600,000.00	-	-	405,600,000.00
<b>Balance as at Ashad 31, 2080</b>	<b>500,050,000.00</b>	<b>68,293,425.81</b>	<b>(4,137,262.33)</b>	<b>564,206,163.48</b>

For & on behalf of the Board

  
**Akshay Golyan**  
Chairman

  
**Nishant Goyal**  
Director

Place : Kathmandu  
Date : 2023-12-08

  
**Kaustuv Rijal**  
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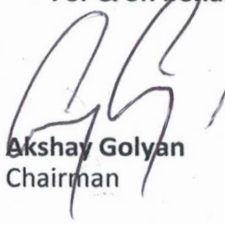


**Pure Energy Limited**  
**Statement of Other Comprehensive Income**  
**For the year ended Ashad 31, 2080 (July 16, 2023)**

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Profit/(Loss) for the Year	(2,230,469.70)	(470,612.87)
Other Comprehensive Income		
Income that will not be reclassified to profit or loss		
Revaluation of Land	-	-
Items that are or may be reclassified subsequently to profit or loss	-	-
Total Other Comprehensive Income, net of tax	-	-
<b>Total Comprehensive Income of the year</b>	<b>(2,230,469.70)</b>	<b>(470,612.87)</b>


In terms of our report of even date

For & on behalf of the Board

  
**Akshay Golyan**  
Chairman

  
**Nishant Goyal**  
Director

Place : Kathmandu  
Date : 2023-12-08

  
**Kaustuv Rijal**  
Finance Manager

For: A.S.R & Associates  
Chartered Accountants

  
**CA Upahar Raj Ghimire**  
Partner  
COP No. :-644





# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

### 1 Corporate information:

Pure Energy Limited ("the Company") is a limited liability company domiciled in Nepal with registration no 192018/074/75 has been converted into Public limited company with Registration No.293685/78/079 on 2079.03.30. The address of its registered office is Soalteemode-13, Kathmandu, Nepal.

The principal objective of the company is to generate Solar-electricity and sell the same to Nepal Electricity Authority (NEA).

The company has obtained license for 10 MW each (Block I and II - total capacity of 20 MW). Block II -10 MW has achieved its Commerical Operation Date (COD) on 1 May 2023 while Block I is under construction phase as on 16 July 2023.

Share Purchase cum Joint Venture Agreement for equity Investment in the company has been entered on September 04 2019 with M/s Renergo Developers Pvt Ltd. Out of NPR 50 Crore ordinary share capital of the company, 40% portion of NPR 20 Crore shall be acquired by Renergo Developers Pvt Ltd through Foreign direct investment and 60% portion of NPR 30 Crore shall be acquired by Mr.Akshay Golyan.

Approval for Foreign Direct Equity Investment through Share Purchase agreement granted by Department of Industry - Foreign Investment and Technology Transfer department on 2076.06.12 for aforesaid Shareholding ratio of NPR 50 Crore divided between Mr. Akshay Golyan at 60% of NPR 30 Crore and Foreign Direct Investment from Renergo Developers Pvt Ltd, India at 40% of NPR 20 Crore.

The Board of Directors of the company acknowledges the responsibility of preparation of Financial Statements of the company and has approved the financial statement through its meeting dated 08-12-2023.

The composition of Board of Directors as on signing date is as follows:

Name of Director	Position
Akshay Golyan	Chairman
Surabhi Golyan	Director
Shakti Kumar Golyan	Director
Nishant Goyal on behalf of Renergo Developers Pvt Ltd, Delhi, India	Director
Mayank Rohilla on behalf of Renergo Developers Pvt Ltd, Delhi, India	Director

### 2 Basis of Preparation :

The financial statements comprise the Statement of Financial Position, Statement of Profit or Loss, Statement of Changes in Equity, Statement of Cash flows, Significant accounting policies and explanatory notes.

#### 2.1 Statement of Compliance :

The financial statements have been prepared in accordance with the Nepal Financial Reporting Standards (NFRS) as issued by the Accounting Standards Board Nepal (ASB) and pronounced by The Institute of Chartered Accountants of Nepal (ICAN).

This section describes the critical accounting judgement that the company has identified as having potentially material impact on the company's financial statements and sets out our significant accounting policies that relate to the financial statements as a whole. Accounting policies along with explanatory notes, wherever such explanation is required, is described in specific relevant sections. The company's accounting policies require the management to exercise judgement in making accounting estimates.

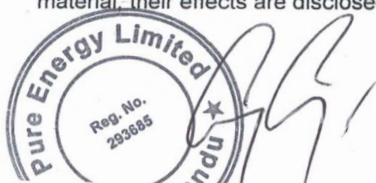
#### 2.2 Basis of Measurement:

The financial statements are prepared under the historical cost convention basis except for those explicitly specified in relevant notes.

#### 2.3 Critical Accounting Estimates

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual result may differ from these estimates and assumptions.

Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of the changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

Specific accounting estimates have been included in the relevant section of the notes wherever the estimates have been applied along with the nature and effect of changes of accounting estimates, if any.

#### 2.4 Functional Currency:

The functional currency used in Financial Statement is Local Currency of Nepal denoted as NPR or NRS.

#### 2.5 Foreign Currency:

Transactions entered into by the company entities in a currency other than the currency of the primary economic environment in which they operate (the "functional currency" is Rs.) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in profit or

#### 2.6 Going Concern:

The financial statements are prepared under going concern assumption, as the management of the company is satisfied that the company has the resources to continue in business for the foreseeable future. In making this assessment, the Board of Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

#### 2.7 Comparative Information:

Comparative information for all the periods presented has been disclosed as required under NAS 1.

#### 2.8 Financial Period:

The company prepares financial statements in accordance with the Nepalese financial year using Nepalese calendar. The corresponding dates for Gregorian calendar are as follows:

Particulars	Nepalese Calendar Date/Period	Gergorian Calendar
SFP* Date	Ashad 31, 2080	16-Jul-23
Current Reporting Period	Shrawan 01, 2079 to Ashad 31, 2080	July 17, 2022 to July 16, 2023
Comparative SFP Date	Ashad 32, 2079	16-Jul-22
Comparative Reporting Period	Shrawan 01, 2078 to Ashad 32, 2079	July 17, 2021 to July 16, 2022

\*Statement of Financial Position

#### 2.9 Standalone financial statements:

This financial statement is the standalone financial statement of the company. Consolidated financial statement as per NFRS 10 is prepared separately.

#### 2.10 Prior Period Errors:

Prior Period Errors are omissions or misstatements in an entity's financial statements. Such omissions may relate to one or more prior periods. Correction of an error is done by calculating the cumulative effect of the change on the financial statements of the period as if new method or estimate had always been used for all the effected prior years' financial statements. Sometimes such changes may not be practicable. In such cases, it is applied to the latest period possible by making corresponding adjustment to the opening balance of the period.

#### 2.11 Materiality and Aggregation:

In compliance with NFRS 1 Presentation of Financial Statements, each material class of similar item is presented separately in the financial statement. Item of dissimilar nature or functions are presented separately, unless they are

#### 2.12 Reporting Pronouncements:

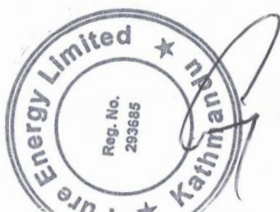
The company for its preparation of financial statement has adopted accounting policies to comply with the pronouncements made by The Institute of Chartered Accountants of Nepal.

#### 2.13 Limitation of NFRS implementation:

If the information is not available and the cost to develop would exceed the benefit derived, such exception to NFRS implementation has been noted and disclosed in respective section.

### 3 Significant Accounting Policies:

NFRS requires adoption of accounting policies that are most appropriate to the company's circumstances determining and applying accounting policies. Directors and management are required to make judgement in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the Company's reported financial position, results or cash flows.



*Signature*

*Signature*





# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

Specific accounting policies have been included in the specific section of the notes for each items of financial statements which requires disclosures of accounting policies or changes in accounting policies. Effect and nature of the changes have been disclosed wherever required.

### 3.1 Current Versus Non-Current Classification:

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

The Company classifies an asset as current when it is:

- i Expected to be realized or intended to be sold or consumed in normal operating cycle,
- ii Held primarily for the purpose of trading,
- iii Expected to be realized within twelve months after the reporting period, or
- iv Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after reporting date

All other assets are classified as non-current:

The Company classifies a liability as current when:

- i It is expected to be settled in normal operating cycle,
  - ii It is held primarily for the purpose of trading,
  - iii It is due to be settled within twelve months after the reporting period, or
  - iv There is no unconditional right to defer the settlement of the liability for at least twelve months after reporting period,
- The Company classifies all other liabilities as non-current.  
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3.2 Cash Flow Statement

The carrying amount of cash and cash equivalents are measured at cost in the statement of Financial position. Statement of Cash Flow has been prepared by using the "Indirect Method" in accordance with NAS 07 Cash Flow Statements.

### 3.3 Financial Instruments : Financial asset

Financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
  - (i) to receive cash or another financial asset from another entity; or
  - (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
  - (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

#### A Recognition:

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

#### B Classification:

The financial assets are measured at amortized cost or fair value on the basis of the company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

The two classes of financial assets are as follows:

##### i. Financial assets measured at amortized cost:

Financial assets are measured at amortized cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### ii. Financial assets measured at fair value:

Financial assets other than those are measured at amortized cost are measured at fair value. Financial assets measured at fair value are further classified into two categories as below:



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# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

### a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction cost is directly attributable to the acquisition are recognised in profit or loss as incurred. such assets are subsequently measured at fair value and changes in fair value are recognised in statement of profit or loss.

### b) Financial assets at fair value through Other comprehensive Income (FVTOCI)

Investment in an equity instrument that is not held for trading and at the initial recognition, the company makes an irrevocable election that the subsequent changes in fair value of the instrument to be recognized in other comprehensive income are classified as financial assets at fair value through other comprehensive income. Such assets are subsequently measured at fair value and changes in fair value are recognized in other comprehensive income.

## C Measurement:

The financial assets are measured at amortized cost or fair value on the basis of the company's business model for managing the financial assets and contractual cash flow characteristics of the financial assets.

### i. Initial Measurement:

A financial asset, other than those are measured at FVTPL, is measured initially at fair value plus any transaction cost. Transaction costs in relation to financial assets those are measured at FVTPL are charged to statement of profit or loss.

### ii. Subsequent Measurement:

A financial asset, is subsequently measured at fair value or amortized cost based on the classification of the financial asset. Financial asset those are classified to be measured at amortized cost, are measured at amortized cost using Effective Interest Rate method.

The amortized cost of a financial asset is the amount at which financial asset is measured at initial recognition minus principal repayments, minus cumulative amortization using the Effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for impairment or uncollectibility.

Financial asset classified at fair value are subsequently measured at fair value. The subsequent changes in fair value of financial assets at FVTPL are charged to statement of profit or loss whereas financial assets at FVTOCI are charged to other comprehensive income.

## D Derecognition:

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in such transferred financial assets that qualify for derecognition that is created or retained by the company is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

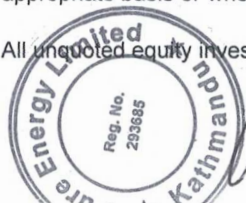
## E Determination of Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The fair value of a liability reflects its non-performance

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price - i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification) or based on a valuation technique whose variable include only data observable markets, then the difference is recognized in profit or loss on initial recognition of the instrument. In other cases, the difference is not recognised in profit or loss immediately but is recognized over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

All unquoted equity investments are recorded at cost.



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# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

### F Impairment of Financial Assets

The carrying amounts of the Company's financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Statement of Profit or Loss.

The company considers evidence of impairment for loans and advances and held to maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity instrument securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for an impairment that has been incurred but not yet identified.

Loans and advances held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. Impairment test is done on annual basis for trade receivables and other financial assets based on the internal and external indication observed.

In assessing collective impairment, the company uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly bench marked against actual outcomes to ensure that they remain appropriate.

### 3.4 Financial Instruments- Financial liabilities

**A financial liability is any liability that is:**

(a) contractual obligation:

(i) to deliver cash or another financial asset to another entity; or

(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

(i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

#### A Recognition:

All financial assets are initially recognized on the date on which the company becomes a party to the contractual provisions of the instrument. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

#### B Classification:

The company classifies its financial liabilities, other than financial guarantees and loan commitments, as follows:

##### i. Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as fair value through profit or loss if they are held for trading or are designated at fair value through profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognised in profit or loss as incurred. such assets are subsequently measured at fair value and changes in fair value are recognised in statement of profit or loss.

##### ii. Financial Liabilities measured at amortized cost:

All financial liabilities other than measured at fair value through profit or loss are classified subsequently measured at amortized cost using Effective interest rate method.

#### C Measurement:

##### i. Initial Measurement:

A financial liability, other than those are measured at FVTPL, is measured initially at fair value plus any transaction cost. Transaction costs in relation to financial assets those are measured at FVTPL are charged to statement of profit or loss.

##### ii. Subsequent Measurement:

A financial liability, is subsequently measured at fair value or amortized cost based on the classification of the financial liability. Financial liability those are classified to be measured at amortized cost, are measured at amortized cost using Effective Interest Rate method.

The amortized cost of a liability asset is the amount at which financial liability is measured at initial recognition minus principal repayments, minus cumulative amortization using the Effective interest rate method of any difference between the initial amount and the maturity amount and minus any reduction for non-payment.



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### Risks associated with Financial Instrument- Financial Liabilities

The company has a risk management framework to monitor, access, mitigate and manage risk. The risk management framework is given in Note 27.

#### 3.5 Provisions

The Company applies NAS 37 Provisions, Contingent Liabilities and Contingent Assets in accounting for non-financial liabilities.

Provisions are recognized for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated. Provision is made for the anticipated costs when an obligation exists.

#### 3.6 Capital Management

Capital includes paid up capital and all other reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company's will take appropriate steps in order to maintain, or if necessary adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during all the years reported in this financial statement.

#### 3.7 Events after reporting period:

The company monitors and assess events that may have potential impact to qualify as adjusting and/or non-adjusting events after the end of the reporting period. Where necessary, all material events after the reporting date have been considered and appropriate adjustment in the books with additional disclosures have been made in the financial statements as per the NAS 10 Events After the Balance Sheet Date and non-adjusting events are disclosed in the notes with possible financial impact, to the extent ascertainable.

#### 3.8 Taxation:

Income Tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the Statement of Profit or Loss except to the extent that it relates to items recognized directly to equity.

##### a Income Tax Rate Applicable to the Company:

The company is involved in the Solar electricity project and hence applicable normal tax rate is 25%. However as per Section 11 (3Gha) of Income Tax Act provides 100% concession/rebate on Income Tax upto 10 years from the date of commercial operation for the Solar energy project commercially starting generation/transmission/distribution of electricity by Chaitra end 2083.

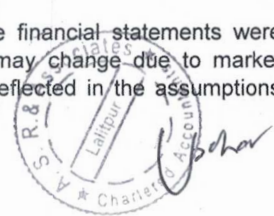
Hence, considering aforesaid concession/rebate, Applicable Income Tax Rate is Nil and hence, Deferred Tax asset/liability is not recognized.

##### b Current Income Tax

Current tax is the expected tax payable on the taxable income for the year using tax rates at the Statement of Financial Position date. Provision for Current Tax has been made as per the provisions of Income Tax Act and amendments thereto.

Deferred tax assets are recognized for unused tax losses and taxable temporary difference to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company based on its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions





## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

Deferred tax has not been calculated on the basis of 100% concession/rebate in Income Tax Rates for initial 10 years from the date of commercial operation of Solar energy projects and Hydropower projects provided by Section 11(3 Gha) of Income Tax Act.

#### 3.8 Lease:

The company as a lessee:

The company enters into an agreement for lease of land, buildings etc for its use. Such arrangements are generally for a fixed period but may have extension or termination options. In accordance with NFRS 16 - Lease, at inception of the contract, the company assess whether a contract is, or contain a lease. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an asset (the underlying asset) for a period of time in exchange for a

**To Assess whether a contract conveys the right to control the use of an identified asset, the company assesses whether:**

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and.

The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use. At inception or on reassessment of a contract on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which the company is a lessee, the company has elected not to separate non-lease component and account for the lease and non-lease components as a single lease component.

#### **Measurement and recognition of leases as lessee:**

The company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives

The right-of-use asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment losses (unless such right of use assets fulfills the requirements of NAS 40 - Investment Property and is accounted for as thereunder), if any and adjusted for any re-measurement of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is an indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognized in the statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the company's incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate.

Lease Payments included in the measurement of the lease liability comprises the following:

- Fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable under a residual.
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period of the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The company presents right-of-use assets that do not meet the definition of Investment Property on the face of balance sheet below 'Property, Plant and Equipment' and Lease liabilities under on the face of the Statement of Financial position under Current and Non-current liabilities.



## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

The company has elected not to apply the requirements of NFRS 16-Leases to short term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight line method over the lease term, unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increase.

#### The company as a lessor:

When the company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the company makes an overall assessment whether the lease transfers substantially all of the risk and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the company considers certain indicators such as whether the lease is for the major economic life of the asset.

The company recognises lease payments received under operating lease as income on a straight line basis over the lease term unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increase, as part of 'Non Operating income'.

The accounting policies applicable to the company as a lessor in the comparative period were not different from NFRS 16.





# Pure Energy Limited

Significant Accounting Policies and Explanatory Notes  
For the year ended Ashad 31, 2080 (July 16, 2023)

## 4. Property, Plant and Equipments

Particulars	Freehold Land - Block 2	Office Equipments & Furnitures	Vehicles	Solar PV Project Block 2	Capital work-in-progress	Total
<b>Cost</b>						
Gross Block As on July 16, 2022	83,231,793.00	532,969.50	3,152,250.00	-	606,066,084.30	692,983,096.80
Additions For the year - Part 2 CWIP	227,760.00	81,294.47	-	1,083,479,767.76	477,643,683.46	1,561,432,505.69
Additions For the year - Part 1 CWIP		-	-	-	895,929,361.15	895,929,361.15
Revaluation Surplus of PPE		-	-	-	-	-
Transfer to PPE - Part 2 CWIP		-	-	-	(1,083,479,767.76)	(1,083,479,767.76)
Revaluation & Adjustments		-	-	-	-	-
Disposals/Adjustments		-	-	-	-	-
<b>Gross Block As on July 16, 2023</b>	<b>83,459,553.00</b>	<b>614,263.97</b>	<b>3,152,250.00</b>	<b>1,083,479,767.76</b>	<b>896,159,361.15</b>	<b>2,066,865,195.88</b>
<b>Depreciation &amp; Impairment Losses</b>						
Accumulated Depreciation as on July 16, 2022	-	50,395.48	66,936.99	-	-	117,332.47
Charge for the year		95,374.98	450,321.43	10,088,022.02	-	10,633,718.43
Adjustment due to Revaluations & others		-	-	-	-	-
Impairment Losses		-	-	-	-	-
Transfer to PPE		-	-	-	-	-
Disposals/Adjustments		-	-	-	-	-
<b>Accumulated Depreciation as on July 16, 2023</b>	<b>-</b>	<b>145,770.46</b>	<b>517,258.42</b>	<b>10,088,022.02</b>	<b>-</b>	<b>10,751,050.90</b>
<b>Net Block</b>						
As on July 16, 2023	83,459,553.00	468,493.51	2,634,991.58	1,073,391,745.74	896,159,361.15	2,056,114,144.98
As on July 16, 2022	83,231,793.00	482,574.02	3,085,313.01	-	606,066,084.30	692,865,764.33



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# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

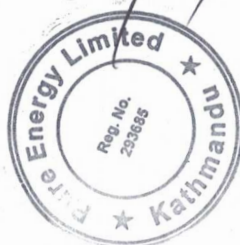
### 5. Intangible Assets

Particulars	Softwares/ Licences	Others	Total
<b>Cost</b>			
Gross Block As on July 16, 2022	-	-	-
Additions	5,763,519.80	-	5,763,519.80
Revaluation Surplus of Intangible Assets	-	-	-
Transfer	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
<b>Gross Block As on July 16, 2023</b>	<b>5,763,519.80</b>	<b>-</b>	<b>5,763,519.80</b>
<b>Amortization</b>			
Accumulated Amortization as on July 16, 2022	-	-	-
Charge for the year	375,813.07	-	375,813.07
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Transfer to PPE	-	-	-
Disposals/Adjustments	-	-	-
<b>Accumulated Amortization as on July 16, 2023</b>	<b>375,813.07</b>	<b>-</b>	<b>375,813.07</b>
<b>Net Block</b>			
<b>As on July 16, 2023</b>	<b>5,387,706.73</b>	<b>-</b>	<b>5,387,706.73</b>
<b>As on July 16, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Intangible Assets Recognition, Measurement & Amortization:

Intangible assets are recognised on the basis of costs incurred to acquire and bring to use the specific software and the asset created is expected to provide future economic benefits where it is probable that it will generate future economic benefits in excess of its cost. Computer software cost are amortised on the basis of expected useful life which is estimated as 10 years (to be reviewed periodically). Costs associated with maintaining software are recognised as an expenses when incurred. At each statement of financial position date, these assets are assessed for indication of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the assets are written down immediately.

Software & Licence cost are amortised on the basis of expected useful life which is estimated as 10 years (to be reviewed periodically). Costs associated with maintaining software are recognised as an expenses when incurred. At each statement of financial position date, these assets are assessed for indication of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the assets is written down immediately.





# Pure Energy Limited

## Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

### 5.1 Recognition & Measurement

Property, Plant and Equipment are initially measured at cost in the Statement of Financial Position and are inclusive of all cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if applicable for each class of assets. Property, Plant & Equipment are recognized as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the company; and the cost of the item can be measured reliably.

Cost includes the purchase price and other directly attributable costs of Property, Plant & Equipment. Cost also includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in Statement of Profit or Loss as incurred. If an item of Property, Plant & Equipment consists of several components with different estimated useful lives, those components that are significant are depreciated over their individual useful lives. Subsequent costs that do not qualify the recognition criteria under NAS 16 are expensed as and when incurred.

The present value of the expected cost for the decommissioning of an asset after its use is considered for determination of cost of the respective asset if the recognition criteria under NAS 16 and IFRIC 1 are met. Management feels that such cost are difficult to estimate and are not material thus are not considered.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation on these assets will commence when these assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequently PPE is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

### 5.2 Depreciation:

The depreciation period is based on the expected useful life of an asset. Depreciation on items of PPE is provided on the straight-line method based on the estimated useful life of the assets determined by the management. Depreciation on additions to PPE is provided on pro-rata basis in the year of purchase. The residual values, useful lives and the depreciation methods of assets are reviewed at least at each financial year end and, if expectations differ from previous estimates are accounted for as a change in accounting estimates in accordance with NAS 8. If an item of PPE consist of several components with different useful lives, those components that are significant are depreciated over their individual useful life.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The estimated useful lives of assets are as follows:

Particulars	Class of assets	Estimated Useful Life (Years)
Computers	Block B	5
Office Furniture	Block B	5
Office Equipment, Printers & Other	Block B	5
Vehicles	Block C	7
Solar PV Project Block 2	Block E	23
Intangible Assets (ERP Software)*	Block E	10
ROU Asset-Land Block 1	Block E	25

Depreciation on assets under construction does not commence until they are complete and available for use.

\*Useful life of SAP S/4 Hana Software License cost is for 10 Years and Capitalization date is 21 November 2022. Depreciation in the books of accounts has been charged accordingly.



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

#### 5.3 Change in Accounting Estimate:

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and accordingly, are not corrections of errors.

#### 5.4 De-recognition:

An item of Property, Plant and Equipment is de-recognized on disposal or when no future economic benefits are expected from the use of that asset. The gain or loss arising from the disposal of an item of Property, Plant and Equipment is the difference between net disposal proceeds, if any, and the carrying amount of that item and is recognized in the statement of profit and loss.

#### 5.5 Revaluation of Land

Land under Property, Plant & Equipment has not been revalued.

#### 5.6 Capital Work in Progress:

The expenditure incurred in the construction of Solar Project throughout the construction period is recognized as Capital works-in-progress.

Borrowing Costs for the qualifying assets are also recognised under Capital work in progress till the period of construction.

#### 5.7 Borrowing Cost:

Borrowing Cost that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of such asset till such time the asset is ready for intended use or sale.

Borrowing Cost consist of interest and other cost that an entity incurs in connection with the borrowing of funds. Borrowing costs also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use or sale. All other borrowing cost are recognized as expense in the period in which they are incurred.

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>Block 2:</b>		
Bank Interest	85,835,528.82	11,762,324.30
Bank Commission and Fee	1,865,559.13	1,662,849.70
Less: Borrowing cost charged to Profit and Loss	(20,329,882.79)	
<b>Total Borrowing cost capitalized in Block 2</b>	<b>67,371,205.16</b>	<b>13,425,174.00</b>
<b>Block 1:</b>		
Bank Interest	26,251,301.84	-
Bank Commission and Fee	1,829,614.11	-
<b>Total Borrowing cost capitalized in Block 1</b>	<b>28,080,915.95</b>	-
<b>Total</b>	<b>95,452,121.11</b>	<b>13,425,174.00</b>



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Sub-Schedule to Note 5 - Property Plant & Equipment				FS Date		16-Jul-23	
Project		English	Useful Life in		Days Put to		Depreciation
Asset	Purchase Date	Date	Year	Life in Days	Use in 79-80	79-80	
<b>Pool B:</b>							
Laptop	Part 2	2078.09.14	5	1825	365		27,000.00
Laptop	Part 2	2078.05.07	5	1825	365		25,600.00
Electrical Fittings	Part 2	2079.01.14	5	1825	365		29,100.00
Furniture	Part 2	2079.01.05	5	1825	90		6,138.22
Desktop	Part 1	2079.09.14	5	1825	200		4,931.51
Printer	Part 1	2079.11.24	5	1825	131		2,605.25
							<b>95,374.98</b>
<b>Pool C:</b>							
Mahindra Bolero	Part 2	2079.02.09	7	2555	365		428,571.43
Car Accessories	Part 2	2079.02.24	7	2555	365		20,178.57
Seat Cover	Part 2	2079.02.30	7	2555	365		1,571.43
							<b>450,321.43</b>
<b>Pool D:</b>							
Pure Block 2	Part 2	2080.01.18	23	8,270	77		10,088,022.02
							<b>10,088,022.02</b>
<b>Pool E1:</b>							
SAP S/4 HANA	Part 1	2080.02.28	10	3,650	238		375,813.07
							<b>375,813.07</b>
							<b>11,009,531.50</b>
<b>Pool E2:</b>							
ROU Asset- Part 1 Land	Part 1	2079.12.18	25	9,125	106		1,701,866.30
							<b>1,701,866.30</b>



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## Pure Energy Limited

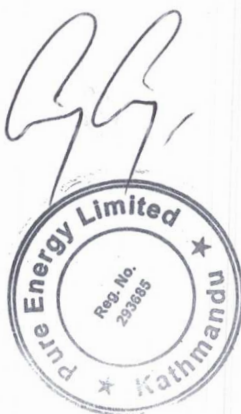
### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

#### 6. Right-of-use Assets

Particulars	Land	Building	Total
<b>Cost</b>			
Gross Block As on July 16, 2022	-	-	-
Additions	146,505,000.00	-	146,505,000.00
Revaluation Surplus of Intangible Assets	-	-	-
Transfer	-	-	-
Revaluation & Adjustments	-	-	-
Disposals/Adjustments	-	-	-
<b>Gross Block As on July 16, 2023</b>	<b>146,505,000.00</b>	<b>-</b>	<b>146,505,000.00</b>
<b>Accumulated Amortisation</b>			
Accumulated Depreciation as on July 16, 2022	-	-	-
Charge for the year	1,701,866.30	-	1,701,866.30
Adjustment due to Revaluations & others	-	-	-
Impairment Losses	-	-	-
Transfer to PPE	-	-	-
Disposals/Adjustments	-	-	-
<b>Accumulated Depreciation as on July 16, 2023</b>	<b>1,701,866.30</b>	<b>-</b>	<b>1,701,866.30</b>
<b>Net Block</b>			
<b>As on July 16, 2023</b>	<b>144,803,133.70</b>	<b>-</b>	<b>144,803,133.70</b>
<b>As on July 16, 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>

Depreciation on ROU Assets for the year have been capitalized for Project 1.





## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

#### 7. Cash and Cash Equivalents

Particulars	As on July 16, 2023	As on July 16, 2022
Cash Balances (As Certified by the Management)	-	33,000.00
<b>Balances with Banks:</b>		
Balances with Banks	630,039.99	43,021,319.84
<b>Total</b>	<b>630,039.99</b>	<b>43,054,319.84</b>

7.1 Cash and cash equivalents comprises cash balances, call deposits and other short term highly liquid investments. For the purpose, any cash placement deposits, call deposit or other highly liquid items with the maturity period of 90 days or more from the date of transaction is considered as cash equivalent.

7.2 Balances with banks includes balances in all current and call accounts of the company.

#### 8. Trade Receivables

Particulars	As on July 16, 2023	As on July 16, 2022
Nepal Electricity Authority	23,429,890.27	
<b>Total</b>	<b>23,429,890.27</b>	<b>-</b>

##### 8.1 Trade receivables

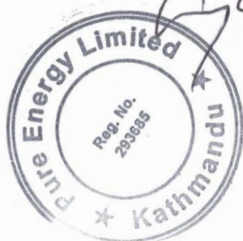
Trade receivables comprises of amount receivable from customers and are non-interest bearing and are generally receivable on terms of 7 to 90 days in the ordinary course of

##### 8.2 Impairment

For allowances, assets with a potential need for a write-down are grouped together on the basis of similar credit risk characteristics, tested collectively for impairment, and written-down, if necessary. Estimated irrecoverable amounts are based on the ageing of the receivable balances, taking previous cases of default into consideration and historical experiences.

#### 9. Prepayments

Particulars	As on July 16, 2023	As on July 16, 2022
Prepayment	5,297,162.68	32,422.73
<b>Total</b>	<b>5,297,162.68</b>	<b>32,422.73</b>



## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

#### 10. Other Assets

##### 10.1 Other Assets - Non Current

Particulars	As on July 16, 2023	As on July 16, 2022
Advance for Land	-	227,760.00
Deposit	600,000.00	600,000.00
Bank Margin	1,489,356.80	13,406,085.07
Advance to Vendors, Contractors & LCs	119,995,128.30	63,961,747.80
<b>Total</b>	<b>122,084,485.10</b>	<b>78,195,592.87</b>

##### Deposits

Survey License fee, its renewal and non refundable deposits paid to Department of Electricity Development has been capitalized into the project costs.

##### Advance to Vendors, Contractors, LCs

Advance provided against Letter of Credit for Import of Capital goods or advance provided to suppliers for procurement of capital goods are classified as Non-current Assets.

##### 10.2. Other Assets - Current

Particulars	As on July 16, 2023	As on July 16, 2022
Advance for Expenses	149,881.67	673,327.00
Other Receivables	112,270.00	-
Advance to Suppliers	-	185,205.00
<b>Total</b>	<b>262,151.67</b>	<b>858,532.00</b>



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 11. Share Capital

Particulars	As on July 16, 2023	As on July 16, 2022
<b>Authorised:</b>		
5,000,500 Equity Shares of Rs.100/- each	500,050,000.00	500,000,000.00
<b>Issued &amp; Subscribed:</b>		
5,000,500 Equity Shares of Rs.100/- each	500,050,000.00	500,000,000.00
<b>Paid Up:</b>		
5,000,500 Equity Shares of Rs.100/- each	500,050,000.00	94,450,000.00
<b>Total</b>	<b>500,050,000.00</b>	<b>94,450,000.00</b>

11.1. Financial Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's equity shares are classified as equity instruments.

11.2. Numbers and value of equity shares outstanding at the end of the year is as per follows:

Particulars	Nos of Shares	Paid Up value
Akshay Golyan	3,000,000	300,000,000
Renargo Developers Pvt Ltd	2,000,000	200,000,000
Pawan Kumar Golyan	100	10,000
Basu Dev Golyan	100	10,000
Survi Golyan	100	10,000
Kumud Golyan	100	10,000
Shakti Kumar Golyan	100	10,000
<b>Total Shares outstanding at 16-07-2023</b>	<b>5,000,500</b>	<b>500,050,000</b>

11.3 Reconciliation of the number of equity shares outstanding at the beginning and end of the

Particulars	Nos of Shares	Amount
Total Shares outstanding at 16-07-2022	944,500	94,450,000.00
Add: Shares issued during the year	4,056,000	405,600,000.00
<b>Total Shares outstanding at 16-07-2023</b>	<b>5,000,500</b>	<b>500,050,000.00</b>

11.4 Authorized capital and issued capital has been increased to Rs. 80 Crore via approval letter of OCR dated 2080-07-23.

#### 12. Share Application Money

Particulars	As on July 16, 2023	As on July 16, 2022
Share Application Money	68,293,425.81	41,723,425.81
<b>Total</b>	<b>68,293,425.81</b>	<b>41,723,425.81</b>

As per the decision of Board of Directors, the company has received Share application money from its shareholder, which will be converted into equity and hence considered as equity instruments.



## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 13 Other Equity

Particulars	As on July 16, 2023	As on July 16, 2022
<b>Retained Earnings</b>		
Upto Last Year	(1,906,792.63)	(1,436,179.75)
For the Year	(2,230,469.70)	(470,612.88)
Change in Accounting Policy	-	-
<b>Total (A+B)</b>	<b>(4,137,262.33)</b>	<b>(1,906,792.63)</b>

#### 14. Long Term Borrowings

Long term borrowings are interest bearing financial liabilities consisting of bank borrowings. For these financial liabilities interest charged by the bank approximates effective interest rate and such rate is considered for calculation of amortized cost of liability and the finance cost. The effect of intital charges and its impact on effective rate is considered not material and the carrying value is considered approximate amortized cost.

Particulars	As on July 16, 2023	As on July 16, 2022
<b>Secured Loans:</b>		
Term Loan (Nabil Bank)	830,607,895.61	181,000,000.00
Bridge Gap Loan (Nabil Bank)	-	73,500,000.00
Term Loan (Standard Chartered Bank)	873,048,277.21	-
Bridge Gap Loan (Standard Chartered Bank)	21,487,500.00	-
Less:		
Current Maturity of Term Loan	(50,526,000.00)	-
<b>Total</b>	<b>1,674,617,672.82</b>	<b>254,500,000.00</b>

**14.1** As per Credit Facility Agreement between the company and Nabil Bank Ltd dated 28th Falgun 2079, total Loan limit of NPR 850 Million towards Funded and 22.5 Million towards Non Funded and Facility letter from Standard Chartered Bank Ltd dated 5th September 2022, total loan limit of NPR 900 Million for the development of Solar PV Electricity Projects of 10 MW each (Block 1 of 10 MW and Block 2 of 10 MW). Credit facilities have been secured against the followings:

- First legal charge by way of registered mortgage/pledge/hypothecation over the entire present and future fixed assets, created with or without financing owned by the Borrower solely in favour of the Bank.
- First charge over entire current assets of the project including receivables from Nepal Electricity Authority, compensation/ incentives paid to the borrower etc solely in favour of the Bank.
- Assignment of Power Purchase Agreements signed between Nepal Electricity Authority and the Borrower for supply and delivery of energy (electricity) produced by the Borrower from the two Grid Tied Solar PV Electricity Projects of 10 MW each (Block 1 and Block 2) located at Raniyapur, Khajura Rural Municipality of Banke District, Lumbini Province
- Assignment of Power generation/transmission license.
- Assignment of Project Guarantees.
- Personal Guarantee of Mr. Akshay Golyan for NPR 1,750 Million till the tenure of loan.
- Pledge of entire promoter shares in favor of the Bank.



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 15. Trade Payables

##### 15.1 Trade Payables - Non Current

Particulars	As on July 16, 2023	As on July 16, 2022
Retention Payable	-	6,437,950.83
<b>Total</b>	<b>-</b>	<b>6,437,950.83</b>

##### Retention Payables:

Retention payables are non interest bearing payables and is related to Capital Work In Progress normally settled after the period of one year.

##### 15.2 Trade Payables - Current

Particulars	As on July 16, 2023	As on July 16, 2022
Retention Payables	31,036,389.29	-
Sundry Creditors	101,634.99	418,679,674.37
<b>Total</b>	<b>31,138,024.28</b>	<b>418,679,674.37</b>

##### Trade & Other Payables:

The trade payables are non interest bearing payables normally settled in a year.

#### 16 Short Term Borrowings

Particulars	As on July 16, 2023	As on July 16, 2022
<b>Secured Loans:</b>		
Bank Overdraft - Nabil Bank	15,000,000.00	-
Current Maturity of Non-Current Borrowings	50,526,000.00	-
<b>Total</b>	<b>65,526,000.00</b>	<b>-</b>

#### 17. Other Liabilities

Particulars	As on July 16, 2023	As on July 16, 2022
Withholding Taxes	1,475,250.94	597,420.02
Audit Fee Payable	44,600.00	117,075.00
Salary & Wages Payable	28,968.00	313,378.85
Retirement Fund Payable	15,416.00	31,747.62
Expense Payable	91,259.81	29,450.16
Interest Payable	4,640,429.02	-
Provision for Expenses	16,035,006.66	
Other Payable	189,924.11	33,301.74
<b>Total</b>	<b>22,520,854.54</b>	<b>1,122,373.39</b>



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 18. Revenue From Operations

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Sale of Electricity	29,392,419.27	-
<b>Total</b>	<b>29,392,419.27</b>	<b>-</b>

#### Revenue Recognition:

The Company is involved in the generation of electricity and supply to Nepal Electricity Authority. The revenue is governed by NFRS 18 unless indicated otherwise.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at fair value of the consideration received or receivable net of Value added tax, Service charge & Discount. The bases of Income recognition are as below:

#### 18.1 Revenue from Sale of Electricity:

The company has obtained survey license for 10 MW each (Block I and II - total capacity of 20 MW). Block II -10 MW has achieved its Commercial Operation Date (COD) on 1 May 2023 while Block I is under construction phase as on 16 July 2023 hence Revenue generated from Block II from COD has been recognized as per the terms agreed in Power Purchase Agreement.

#### 19. Cost of Goods Sold

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Bay Control Panel Charges	68,350.68	-
<b>Total</b>	<b>68,350.68</b>	<b>-</b>

#### 20. Employee Cost

##### 20.1 Employee Cost charged to Statement of Profit and Loss

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>Short Term Employee benefits:</b>		
Salary & Allowances	-	-
<b>Long Term Employee benefits:</b>		
Contribution to Social Security Fund	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

##### 20.2 Employee Cost Capitalized as Qualifying Assets under PPE

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>Short Term Employee benefits:</b>		
Salary & Allowances	911,279.00	1,548,602.00
<b>Long Term Employee benefits:</b>		
Staff Leave	-	20,940.16
Contribution to Social Security Fund	47,802.00	80,088.00
<b>Total</b>	<b>959,081.00</b>	<b>1,649,630.16</b>



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

**20.3** Employee cost include salaries, wages, contribution to SSF, compensated absences and other terminal benefits. Employee costs are either defined benefit plan or defined contribution plan. Employee costs of the company comprise of gratuity, provident fund and accumulated leave.

#### 20.4 Provident Fund-Defined Contribution Plan

The Company pays pre-defined amount of 10% to Social Security Fund (SSF) and the company does not have any legal or constructive obligation to pay additional amount in future. Contributions to Provident fund are charged to the statement of profit or loss in the year to which they relate.

#### 20.5 Gratuity-Defined Contribution Plan

The Company is required to pay pre-defined amount to Social Security Fund as gratuity to employees. The Company accrues 8.33% of basic salary of staff as gratuity benefits in accordance with Labor Law of Nepal and the Company has deposited Employee Gratuity in SSF. The amount presented in financial statements is the actual liability of gratuity at each reporting date.

### 21. Administration Expenses

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Office Expenses	3,670.00	72,950.41
Rent Expenses	-	-
Audit Fee	45,200.00	33,900.00
NFRS Implementation Fee	-	84,750.00
Bank Charges	13,315.00	-
Printing & Stationery	14,280.00	380.00
Registration and Renewal	77,200.00	151,300.00
Fine and Penalty	-	10,000.00
Advertisement	61,459.00	-
<b>Total</b>	<b>215,124.00</b>	<b>353,280.41</b>

### 22. Borrowing Cost

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Interest on Bank Borrowings	20,329,882.79	-
<b>Total</b>	<b>20,329,882.79</b>	<b>-</b>

### 23. Depreciation and Amortization

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
Depreciation on PPE	10,633,718.43	117,332.47
Depreciation on ROU Assets	1,701,866.30	-
Amortization of Intangible Assets	375,813.07	-
Less: Depreciation on ROU Asset Capitalized to Block 1	(1,701,866.30)	-
<b>Total</b>	<b>11,009,531.50</b>	<b>117,332.47</b>



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 24. Earnings Per Share

Particulars	For the year ended July 16, 2023	For the year ended July 16, 2022
<b>Numerator</b>		
Profit/(Loss) for the year	(2,230,469.70)	(470,612.88)
<b>Denominator (Weighted Avg No. of Shares)</b>		
Basic	1,939,011	331,378
Diluted	1,939,011	331,378
<b>Earning Per Share (in NRs) (Face Value Rs 100/- each)</b>		
Basic	(1.15)	(1.42)
Diluted	(1.15)	(1.42)

#### Earning Per Share:

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

#### 25. Contingent Liabilities & Capital Commitment

##### 25.1 Contingent Liabilities

Contingent liabilities are potential future cash out flows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

25.1.1 Bank Guarantee has been provided to the Department of Customs for obtaining EXIM Code. As at the reporting date the guarantee amount is NPR 300,000

Two Performance Bond Guarantee of amounting Rs. 6,000,000.00 each has been provided to Nepal Electricity Authority against Power Purchase Agreement ("PPA"), validity until 11/08/2023 for Grid Tied Solar PV Electricity Project (10 MW), Banke Block 1 and Block 2.

##### 25.2 Commitment

A commitment is a contractual obligation to make a payment in the future. These amounts are not recorded in the statement of financial position since the company has not yet received the goods or services from the supplier.



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 26. Related Party Transactions

##### 26.1 Relationship

The company identified related parties on the following lines

- 1 Shareholders having shareholding of 5% or more during the year.
- 2 Companies represented by the Directors.
- 3 Directors and their relatives
- 4 Key management personnel and their relatives

##### 26.2 List of Related Parties

Name of Related Parties	Nature of Relationship
<b>a. Key Management personnel (KMP):</b>	
Mr. Akshay Golyan	Chairman and MD
Ms. Surabhi Golyan	Director
Mr. Shakti Kumar Golyan	Director
Mr. Nishant Goyal on behalf of Renergo Developers Pvt Ltd, Delhi, India	Director
Mr. Mayank Rohilla on behalf of Renergo Developers Pvt Ltd, Delhi, India	Director
<b>b. Other Related Parties:</b>	
Westar Galaxy Trading Pvt Ltd	Common Shareholder
Renergo Developers Pvt. Ltd.	Common Shareholder
Renergo Developers Pvt. Ltd (India)	Common Shareholder
Nexus Engineering Consultancy and Construction Pvt Ltd	Significant Influence by KMP
Clear Energy Pvt Ltd	Common Shareholder
Pious Energy Pvt Ltd	Common Shareholder

##### 26.3 Transactions with Directors & Key Management Personnel

During the year neither any directors nor any key management personnel nor any associate or family member (relative) of the directors and key management personnel was indebted to the company.

##### 26.4 Other Related Party Transaction and Balances

Particulars	FY 2079-80	Remarks
<b>Purchase from Related Parties:</b>		
Purchase from Renergo Developers Pvt. Ltd, Delhi, India	485,466,294.84	
Purchase from Renergo Developers Pvt. Ltd.	97,174,123.06	
Rental Expenses to Westar Galaxy Trading Pvt Ltd	1,200,000.00	
System Implementation Fee to Westar Galaxy Trading Pvt Ltd	5,000,000.00	
Consultancy Expenses to Westar Galaxy Trading Pvt Ltd	4,068,000.00	
Nexus Engineering Consultancy and Construction Pvt Ltd	144,300,000.00	Including VAT
Nexus Engineering Consultancy and Construction Pvt Ltd	514,364,399.97	
Clear Energy Pvt Ltd	74,211,111.11	
Pious Energy Pvt Ltd	72,293,888.89	
Purchase from Golyan Agro Pvt Ltd	204,380.00	
<b>Amount Receivable/(Payable) from Related Parties:</b>		
Westar Galaxy Trading Pvt Ltd	600,000.00	Security Deposit
Nexus Engineering Consultancy and Construction Pvt Ltd	47,765,702.72	Advance
Clear Energy Pvt Ltd	(4,009.99)	
Pious Energy Pvt Ltd	(158,955.00)	
Golyan Tower Pvt Ltd	2,000,000.00	Advance
Renergo Developers Pvt. Ltd.	6,606,438.92	Advance
Renergo Developers Pvt. Ltd (India)	33,227,197.37	Advance



## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes

For the year ended Ashad 31, 2080 (July 16, 2023)

#### 27. Financial risk management objectives and policies

The Company's business activities expose to a variety of risks, namely primarily to fluctuations in foreign currency exchange rates, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

##### 27.1 Market risk

In spite of having a very high potentiality of Hydropower and Solar energy sector, it is volatile to geopolitical and domestic incidents. With stabilization in the geopolitical and domestic issues, the energy sector looks for bright future. However, there is risk that any domestic/ international or geopolitical incidents would impact the business of the company. However, the company through years of operations has sustained through such risks over the years in the past.

##### 27.2 Credit risk

The company provides reasonable level of advances to its contractors and suppliers for import or local supplies without performance guarantee from the contractor. In case of non-completion of project on time or any such failure to supply the goods, there remains risk to that extent. The company however plan to manage such risk through retention clause in the agreement with the supplier/contractor.

##### 27.3 Liquidity risk

The Company monitors its risk to a shortage of funds on a regular basis through fund forecast. The Company's objective is to maintain a balance between continuity of funding through equity and flexibility through use of bank loans. Access to sources of funding is sufficient.

##### 27.4 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Since the Company has no foreign borrowings, Its exposure to the risk of changes in market interest rates is not applicable.

##### 27.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's Imports/purchase in foreign currency.

##### 27.6 Operational Risk

The company have prepared and implemented various Standard Operating Procedures (SOPs) in the form of clear cut delegation of authority for the activities, guidelines regulations etc. Company believes that the controls implemented by the company have minimized the operational risk to acceptably low



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## Pure Energy Limited

### Significant Accounting Policies and Explanatory Notes For the year ended Ashad 31, 2080 (July 16, 2023)

#### 28. Financial Instruments Classification and Fair value measurements

Financial Instruments are classified in accordance with Note 3.3. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values are determined according to the following hierarchy:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Company has used its own data (accounting value) and considered if there exist factors that would otherwise result in changes to the book value of assets or liabilities. Such factors did not exist as per management evaluation and accordingly, book value has been considered as fair value.

Particulars	As on		As on	
	31 Ashad 2080		32 Ashad 2079	
	FVTPL	Amortised cost	FVTPL	Amortised cost
<b>Financial assets</b>				
Cash and cash equivalents		630,039.99		43,054,319.84
Investments				
Trade receivables		23,429,890.27		-
<b>Total Financial assets</b>	-	<b>24,059,930.26</b>		<b>43,054,319.84</b>
<b>Financial liabilities</b>				
Borrowings		1,740,143,672.82		254,500,000.00
Trade Payables		31,138,024.28		6,437,950.83
Other Liabilities		22,520,854.54		1,122,373.39
Lease liabilities				
<b>Total Financial liabilities</b>	-	<b>1,793,802,551.64</b>	-	<b>262,060,324.22</b>

#### 29. Others

##### 29.1. Bonus Provision:

Provision for Bonus has not been made in view of losses incurred during the year.

##### 29.2 Provision for CSR:

Provision of CSR under Section 48 of Industrial Enterprises Act has not been done in view of losses incurred during the Year.

##### 29.3 Regrouping and Round off:

Figures have been regrouped and rearranged so as to facilitate comparison. Insignificant rounding off differences may exist.

