INDEPENDENT AUDITOR'S REPORT

To The Members of Phutung Research Institute

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **Phutung Research Institute**, which comprise of the Statement of Financial Position as at Ashad 32, 2082 (July 16, 2025), the Statement of Income & Expenditure, Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the organization as at Ashad 32, 2082 (July 16, 2025) and its financial performance and its cash flows for the year then ended on that date in accordance with Nepal Accounting Standards (NAS) for Not-for-Profit Organizations (NPOs).

Basis of 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 organization in accordance with the Institute of Chartered Accountant of Nepal's code of ethics for professional accountants together with the ethical requirements that are relevant to our audit of the financial statements in Nepal, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	Our Audit Approach and Responses
1. Grant Income Organization received grant of Rs. 1,46,28,520 during the financial year 2081/82 in its Un-Restricted Fund account. Moreover, out of grant received in Un-Restricted Fund account Rs 1,46,28,520 has been considered as income during the year. Similarly, financial income of Rs 7,56,525 has been taken as income. In view of significance of amount and being the primary source of fund, we have considered it as key audit matters in our audit.	Our revenue testing included both testing of the company's controls, as well as substantive audit procedures targeted at grant received from major donor. Our substantive testing focused on estimates applied by management in the accounting. Our procedures included, among others things, the following: a. We reviewed the project budgets and agreements, traced the grants received to bank statements and obtained donor confirmation to

Adhikari R. Associates * COP No.: 2168 ICAN No.: 1719 * Registered Auditors

	ascertain the grant disbursed for the project. b. We ensured Grant Incomes were recognized only when there is reasonable assurance that the contribution will be received, and conditions stipulated for its receipt has been complied with.
2. Program and Administrative Expenses Program Expenses shall be expenses as per the grant agreement if conditional grant and shall be in line with the budget prepared in the beginning of the year. In view of significance of compliance that needs to be adhered, we have considered as key audit matters in our audit.	Our audit approach regarding expenditure verification includes the following among other things: a. Ensured the program expenditure has been expenses within the approved budget heads and is duly approved by the authorized personnel. b. Ensured the administrative expenses has been incurred and accounted properly.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NAS for NPOs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable 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 decisions 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 misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidences that is sufficient and appropriate to provide a basis for our opinion. The risk 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 organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization'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 evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit 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 reasonably be thought to bear on our independence, and where applicable, related safeguards.

For Adhikari R. & Associates
(Registered Auditor)
Balkot– Suryabinayak, Bhaktapur

Adhikari R. & Associates * Registered Auditors * COP No.:2188 ICAN No.:1719

PAN No. 100037579
Firm No. 1719
COP No. 2188 'D

Date: 20th Ashoj, 2082
Place: Kathmandu, Nepal
UDIN:

Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
STATEMENT OF FINANCIAL POSITION
As at 32 Ashadh 2082 (16 July 2025)

(NRs.)

Particulars	Notes	Current Year	Previous Year
ASSETS			
Non - Current Assets			
Property, Plant and Equipment	4.1	1,09,24,481	1,22,75,740
Intangible assets	4.2	-	-
Long term Investments		1,55,63,375	50,00,000
Other noncurrent assets		-	-
Total Non - Current Assets		2,64,87,856	1,72,75,740
Current Assets			
Accounts receivable	4.3	1,500	4,25,909
Cash and cash equivalents	4.4	46,09,958	72,94,024
Total Current Assets		46,11,458	77,19,933
Total Assets		3,10,99,314	2,49,95,673
LIABILITIES & RESERVES			
Accumulated Reserves			
Unrestricted Funds/accumulated surplus	4.5	3,01,88,770	2,46,22,401
Designated Funds	4.6	-	-
Restricted Funds	4.7	-	-
Endowment Fund	4.8	-	-
Capital Fund	4.9	-	-
Total Accumulated Reserves		3,01,88,770	2,46,22,401
Non - Current Liabilities			
Deferred Income	4.10	-	-
Other non-current liabilities		-	-
Total Non - Current Liabilities		-	-
Current Liabilities			
Accounts payable	4.11	9,10,544	3,73,272
Provisions	4.12	-	-
Total Current Liabilities		9,10,544	3,73,272
Total Liabilities		9,10,544	3,73,272
Total Liabilities and Reserves		3,10,99,314	2,49,95,673

The Notes on accounts form an integral part of the financial statements

As per our report of even date attached

For Adhikari R. & Associates
Registered Auditor

RA. Ramesh Adhikari
Proprietor

For and on behalf of Board

Mr. Uttam Nakarmi
Presedent

Ar. Rajiv Dhakal
Director

Mr. Mohan krishna Manandhar
Director

Mrs. Pragya Nakarmi
Admin & Finance Coordinator

Date: 20 Ashoj, 2082
Place: Kathmandu Nepal

Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
STATEMENT OF CASH FLOWS
For the Year Ended on 32 Ashadh 2082 (16 July 2025)

(NRs.)

Particulars	Current Year	Previous Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus/ (deficit) for the year (Before Tax)	55,66,369	(44,56,626)
Adjustments to reconcile surplus/(deficit) to net cash flows:		
Non-cash items:		
Depreciation and impairment of property, plant and equipment	19,11,011	22,27,793
Amortization and impairment of intangible assets	-	-
Interest and securities income	(7,56,525)	(6,02,984)
Gains from disposal of fixed assets	-	-
Booking of Deferred Income	-	-
Working capital adjustments:		
Accounts receivable	4,24,409	21,73,878
Prepayments	-	
Other financial assets	-	
Accounts payable	5,37,271	1,05,750
Accrued expenses and deferred income	-	-
Other financial liabilities	-	-
Received for Unrestriced Funds	-	
Received from Restricted Funds	-	-
Amount Spent from restricted Fund	-	-
Less:		
Income Tax Paid	-	
Interest paid	-	
Net cash from/(used in) operating activities	**76,82,536**	**(5,52,188)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property Plant and Equipment	(5,59,752)	(17,875)
Purchase of intangible assets	-	
Proceeds from sale of equipment	-	
Interest received	7,56,525	6,02,984
Income from securities, net	-	
Net cash from/(used in) investing activities	**1,96,773**	**5,85,109**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in investment	(1,05,63,375)	-
Net cash from/(used in) financing activities	**(1,05,63,375)**	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(26,84,067)**	**32,921**
CASH AND CASH EQUIVALENTS AT 01 Shrawan 2081	**72,94,024**	**72,61,103**
CASH AND CASH EQUIVALENTS AT 32 Ashadh 2082	**46,09,958**	**72,94,024**

The Notes on accounts form an integral part of the financial statements

As per our report of even date attached

For Adhikari R. & Associates
Registered Auditor

RA. Ramesh Adhikari
Proprietor

For and on behalf of Board

Mr. Uttam Nakarmi
Presedent

Ar. Rajiv Dhakal
Director

PHUTUNG RESEARCH INSTITUTE

Mr. Mohan krishna Manandhar
Director

Mrs. Pragya Nakarmi
Admin & Finance Coordinator

Date: 20 Ashoj, 2082
Place: Kathmandu Nepal

Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
STATEMENT OF INCOME & EXPENDITURE
For the Year Ended 32 Ashadh 2082 (16 July 2025)

(NRs.)

Particulars	Notes	Current Year	Previous Year
INCOME			
Incoming Resources	4.13	1,46,28,520	55,34,344
Financial Income		7,56,525	6,02,984
Other Income		-	-
Total Income		1,53,85,045	61,37,328
EXPENDITURE			
Staff Cost/Expenses	4.14	52,99,439	48,81,124
Program Expenses	4.15	14,63,099	22,71,824
General Administrative Expenditure	4.16	11,45,127	12,13,212
Depreciation & Amortization	4.1	19,11,011	22,27,793
Other Expenditure		-	-
Total Expenditure		98,18,676	1,05,93,954
Foreign exchange gain/ (loss)		-	-
Net surplus/(deficit) before Taxation		55,66,369	(44,56,626)
Income Tax Expenses		-	-
Surplus/(Deficit) For The Year		55,66,369	(44,56,626)
Appropriation Of Surplus For The Year			
Allocation to Unrestricted Reserves		55,66,369	(44,56,626)
Allocation to Designated Fund		-	-

The Notes on accounts form an integral part of the financial statements

As per our report of even date attached

For Adhikari R. & Associates
Registered Auditor

RA. Ramesh Adhikari
Proprietor

Adhikari R. & Associates
COP No. 1166
ICAN No. 17...
Registered Auditor

Mr. Uttam Nakarmi
Presedent

For and on behalf of Board

Ar. Rajiv Dhakal
Director

PHUTUNG RESEARCH INSTITUTE

Date: 20 Ashoj, 2082
Place: Kathmandu Nepal

Mr. Mohan krishna Manandhar
Director

Mrs. Pragya Nakarmi
Admin & Finance Coordinator

Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
STATEMENT OF CHANGES IN RESERVES
For the Year Ended on 32 Ashadh 2082 (16 July 2025)

(NRs.)

Description	Restricted Fund	Designated Fund	Unrestricted Reserves	Endowment Funds	Capital Reserves	Result for the Year	Total
Balance as at 31 Ashadh 2080	-	-	2,47,65,125	-	-	-	2,47,65,125
Result for the Year	-	-	-	-	-	-	-
Grant received for Fund	-	-	-	-	-	-	-
Amount Spent out of the fund	-	-	-	-	-	-	-
Allocation of results to Unrestricted Fund	-	-	(44,56,626)	-	43,13,902	-	(1,42,724)
Allocation of results to Endowment Fund	-	-	-	-	-	-	-
Allocation of results to Capital Fund	-	-	-	-	-	-	-
Allocation to Deferred Income	-	-	-	-	-	-	-
Balance as at 01 Shrawan 2081	-	-	2,03,08,499	-	43,13,902	-	2,46,22,401
Result for the Year	-	-	-	-	-	-	-
Grant received for Fund	-	-	-	-	-	-	-
Amount Spent out of the fund	-	-	-	-	-	-	-
Allocation of results to Unrestricted Fund	-	-	55,66,369		-	-	55,66,369
Allocation of results to Endowment Fund	-	-	-	-	-	-	-
Allocation of results to Capital Fund	-	-	-	-	-	-	-
Allocation to Deferred Income	-	-	-	-	-	-	-
Balance as at 32 Ashadh 2082	-	-	2,58,74,868	-	43,13,902	-	3,01,88,770

The Notes on accounts form an integral part of the financial statements

As per our report of even date attached

For Adhikari R. & Associates
Registered Auditor

RA. Ramesh Adhikari
Proprietor

Date: 20 Ashoj, 2082
Place: Kathmandu, Nepal

For and on behalf of Board

Mr. Uttam Nakarmi
Presedent

Ar. Rajiv Dhakal
Director

Mr. Mohan krishna Manandh
Director

Mrs. Pragya Nakarmi
Admin & Finance Coordinator

Adhikari R. & Associates
C.O.P. No.: 2183
ICAN M. No.: 1719
Registered Auditors

PHUTUNG RESEARCH INSTITUTE

Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
Statement of Accounting Policies and Notes to Financial Statements
For the Year Ended on 32 Ashadh 2082 (16 July 2025)

4. Notes to Financial Statement

4.1 Property Plant and Equipment

Item	Opening balance	Additions during the year	Disposals during the year	Balance at 32.03.2082
Temporary Structure	4,65,206	-	-	4,65,206
Furniture and Fittings	6,48,196	10,568	-	6,58,764
Office Equipment	42,493	-	-	42,493
Computer equipment	24,44,235	10,281	-	24,54,516
Other Lab Equipment	1,97,34,192	5,38,903	-	2,02,73,095
	2,33,34,323	5,59,752	-	2,38,94,075
Capital work in progress	-	-	-	
Total	2,33,34,323		-	2,38,94,075

Accumulated Depreciation

Item	Balance as at 01.04.2081	Charge for the year	Disposals during the year	Balance at 32.03.2082
Temporary Structure	30,626	21,729	-	52,355
Furniture and Fittings	4,89,432	42,000	-	5,31,431
Office Equipment	19,796	5,674	-	25,470
Computer equipment	18,65,309	1,46,499	-	20,11,808
Other Lab Equipment	86,53,420	16,95,109	-	1,03,48,529
	1,10,58,583	19,11,011	-	1,29,69,594
Capital work in progress	-	-	-	
Total	1,10,58,583	19,11,011	-	1,29,69,594
WDV as on 2081				1,09,24,481

4.2 Intangible Assets

Item	Balance as at 01.04.2081	Additions during the year	Disposals during the year	Balance at 32.03.2082
Software	-	-	-	-
Other Intangible Assets	-	-	-	-
Total	-	-	-	-

Amortization

Item	Balance as at 01.04.2081	Charge for the year	Disposals during the year	Balance at 32.03.2082
Software	-	-	-	-
Other Intangible Assets	-	-	-	-
Total	-	-	-	-

4.3 Accounts Receivable

Particulars	2081-82	2080-81
Deposits and Advances	1,500	4,25,909
Other accounts receivable	-	-
Less: Allowance for accounts receivable	-	-
Total	1,500	4,25,909

Notes: Where any amount become difficult to recover due to various reasons, then in such cases, the account receivable is considered as impaired and allowance for account receivable (previously known as doubtful receivable) will be made.

4.4 Cash and cash equivalents

Particulars	2081-82	2080-81
Cash in hand	4,770	23,798.23
Cash at Bank	46,05,188	72,70,226.09
Short-term deposits	-	-
Total	46,09,958	72,94,024

Adhikari R. & Associates
COP No.:2168
ICAN No.:1719
Registered Auditors

PHUTUNG RESEARCH INSTITUTE

4.5 Unrestricted Funds

Particulars	2081-82	2080-81
Balance at beginning of the year	2,46,22,401	2,47,65,125
Transfer from Capital fund	-	43,13,902
Unrestricted surplus/deficit in operating activities	55,66,369	(44,56,626)
Balance at end of the year	3,01,88,770	2,46,22,401

4.6 Designated Funds

Particulars	2081-82	2080-81
Balance as at beginning of year	-	-
Additional Funds received during the year	-	-
Balance as at year end	-	-

4.7 Restricted Funds

Particulars	2081-82	2080-81
Balance as at beginning of year	-	-
Additional Funds received during the year	-	-
Transfer to Income and Expenditure	-	-
Balance as at year end	-	-

Project wise allocation and movement in Un-restricted Funds

Name of Donor Organization/Grantor	Description	Balance brought forward	Received /restricted surplus during the year	Transferred to Statement of Income & Expenditure	Interest Income on Restricted Funds	Balance carried forward shown in restricted fund balance
Glasgow Center of International Development - University of Glasgow	Low-cost and Rapid Detection of Faecal Coliforms in Drinking Water using optics-informed AI (AD-GCID/23-24)	-	-	-	-	-
Royal Academy of Enggineering	Distinguished International Associate Prize: Technologies for the Future- Using AI to detect bacteria in Water (AD-RAE-DIA/24-25)	8,38,875	9,32,195	-	-	17,71,070
Optica Foundation	Developing a portable and low-cost device using dynamic light scattering for Rotavirus detection in environmental and drinking water (RM-OF/24-26)	2,01,67,142	1,36,96,325	63,55,174	-	2,75,08,294
Total		2,10,06,017	1,46,28,520	63,55,174	-	2,92,79,364

4.8 Endowment Funds

Particulars	2081-82	2080-81
Balance at beginning of the year	-	-
Surplus/deficit for the year	-	-
Balance at end of the year	-	-

4.9 Capital Fund

Particulars	2081-82	2080-81
Donated Fixed Assets	-	43,13,902
Addition During the Year	-	-
Transfer to unrestricted fund	-	43,13,902
Balance at end of the year	-	-

Note: Due to the completion of project remaning project fixed assets has been transfer to Core fixed assets and balance amount of capital fund has also been transfer to unrestricted fund.

4.10 Deferred Income

Particulars	2081-82	2080-81
Balance at beginning of the year	-	-
Transferred from Capital Reserve	-	-
Assets Handed Over	-	-
Depreciation for the year	-	-
Disposal of Assets	-	-
Balance at end of the year	-	-

4.11 Accounts Payable

Particulars	2081-82	2080-81
Accrued Expenses	98,673	3,31,366
Other Payables	8,11,871	41,906
Total	9,10,544	3,73,272

4.12 Provisions

Particulars	2081-82	2080-81
Balance as at the beginning of the period	-	-
Allocations during the year	-	-
Use of provisions during the year	-	-
Less: Release of provisions during the year	-	-
Total	-	-

Adhikari R. & Associates
COP No.: 2168
ICAN No.: 1719
Registered Auditors

Phutung Research Institute

4.13 Incoming Resources

Particulars	2081-82	2080-81
Grants - Restricted Funding	-	-
Grants - Unrestricted Funding	1,46,28,520	55,34,344
Income from endowments	-	-
Donations from the public	-	-
Corporate Fundraising	-	-
Gifts in kind	-	-
Other fund raising activity	-	-
Total	**1,46,28,520**	**55,34,344**

4.14 Staff Cost

Particulars	2081-82	2080-81
Wages and salaries		
Optica Foundation - (RM-OF/24/25)	47,51,865	-
Royal Academy of Engineering - (AD-RAE-DIA/24-25)	-	6,46,782
EPSRC/UofYork	-	25,36,322
TWAS/UNESCO - AT	-	6,79,925
TWAS/UNESCO - RM	-	4,04,010
Administrative Salary & Benefits Core	5,47,574	6,14,086
Sub-Total	52,99,439	48,81,124
Allowances and benefits	-	-
Post-employment benefit costs	-	-
Total	52,99,439	48,81,124

4.15 Program Expenses

Particulars	2081-82	2080-81
Optica Foundation - (RM-OF/24/25)	14,63,099	-
Royal Academy of Engineering - (AD-RAE-DIA/24-25)	-	3,44,355
EPSRC/UofYork	-	13,50,369
TWAS/UNESCO - AT	-	3,62,001
TWAS/UNESCO - RM	-	2,15,100
Total	14,63,099	22,71,824

Note - Travel expenses has been incurred while carrying out activities for a program, so the same has been clubbed with program expenses.

4.16 General Administrative Expense

Particulars	2081-82	2080-81
Laboratory Consumables Core	36,625	14,548
Printing of Pen and Book	-	20,585
House Rent	4,86,000	4,86,000
IT & Website Maintainance	3,018	40,289
Insurance Expenses	-	21,020
Repair & Maintainance	6,100	20,409
Office Utilities	85,152	73,037
Printing & Stationery Expenses	48,311	58,580
Renewal, Rates & Taxes	7,628	67,978
Tea, Cofee & Snacks	1,57,719	1,65,310
Audit Fees	1,00,000	10,000
Financial Consultancy Charges	1,20,000	1,00,850
Security, Cleaning & Sanitation Expenses	73,080	66,470
Bank Charges	961	27,924
Other Office Expenses	20,534	40,212
Total	**11,45,127**	**12,13,212**

4.17 Income Tax Expense

Phutung Research Institute has got tax exempted status and accordingly no provision for tax has been made. However, income tax deducted at sources of income has been charged to such revenue and reflected net of such withholding tax. Total of such withholding tax amounts to Rs. 87,168.

4.18 Capital Commitments

The organization has not entered into any capital commitments as of the date of this report.

4.19 Contingent Liabilities

The organization holds no contingent liabilities as of the reporting period.

4.20 Related Party Transactions

The organization doesn't have any related party transaction as of the reporting period.

Adhikari R. & Associates
COP No.: 2168
ICAN No.: 1718
Registered Auditors

PHUTUNG RESEARCH INSTITUTE

4.21 First-time adoption of NAS for NPOs

These financial statements, for the year ended 32 Ashadh 2082, are the first the organization has prepared in accordance with Nepal Accounting Standards for Non-profit Organizations (NAS for NPOs). For periods up to and including the year ended 31 Ashadh 2081, the organization prepared its financial statements in accordance with local generally accepted accounting principles.

Accordingly, the organization has prepared financial statements that comply with NAS for NPOs applicable as at 32 Ashadh 2082, together with the comparative period data for the year ended 31 Ashadh 2081, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the organization in restating its local GAAP financial statements, including the statement of financial position for the year ended 31 Ashadh

Reconciliation of Statement of Financial Position as at 31 Ashadh 2081 (date of transition to NAS for NPOs)

Particulars	Previously Reported	Reclassification and Remeasurements	NAS for NPO's as at 31 Ashadh 2081
Non - Current Assets			
Property, Plant and Equipment	86,59,356	36,16,384	1,22,75,740
Intangible Assets		-	-
Project Fixed Assets	36,16,384	(36,16,384)	-
Investment Property		-	-
Long term investments	50,00,000	-	50,00,000
Other Non Current Assets		-	
Total Non - Current Assets	**1,72,75,740**	**(0)**	**1,72,75,740**
Current Assets			
Inventories			
Accouns Receivable	4,25,909	-	4,25,909
Cash and Cash Equivalents	72,94,024	-	72,94,024
Total Current Assets	**77,19,933**	-	**77,19,933**
Total Assets	**2,49,95,673**	**(0)**	**2,49,95,673**
LIABILITIES & RESERVES			
Accumulated Reserves			
Unrestricted Funds/ accumulated surplus	2,10,06,017	36,16,383.90	2,46,22,401
Designated Funds	-	-	
Restricted Funds	-	-	-
Endowment Fund	-	-	-
Capital Fund	36,16,384	(36,16,383.90)	-
Total Accumulated Reserves	**2,46,22,401**	**0.00**	**2,46,22,401**
Non - Current Liabilities			
Employee benefit liabilities			
Deferred Income			
Total Non - Current Liabilities		-	-
Current Liabilities			
Accounts Payable	3,73,272		3,73,272
Total Current Liabilities	3,73,272	-	3,73,272
Total Liabilities	3,73,272	-	3,73,272
Total Liabilities and Reserves	**2,49,95,673**	**0**	**2,49,95,673**

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Note:

1. Investment during the period is more then 3 months, hance shown on Long term investment as per NAS NPOs.

2. Previously, the organization has recognized the assets received from donner for the use in project as project Fixed assets. However, same assets depreciation has not been recognized as expenses in year, from this year it has been transfer to Core fixed assets as the project has been completed and fixed assets has its useful life.

3. Due to the transfer of fixed assets from project to core balance of capital fund has also been transfer to unrestricted fund.

Reconciliation of Statement of Income and Expenditure for the year ended 31 Ashadh 2081

Particulars	Previously Report	Remeasurements and reclassifications	NAS for NPO's for the year ended 31 Ashadh 2081
Incoming Resources	55,34,344	-	55,34,344
Financial Income	6,02,984	-	6,02,984
Other Income	-	-	-
Overhead Income	-	-	-
Total Income	**61,37,328**	-	**61,37,328**
EXPENDITURE			
Staff Cost	6,14,086	42,67,038	48,81,124
Programme Expenses	65,38,862	(42,67,038)	22,71,824
General Administrative Expenditure	12,13,212	-	12,13,212
Depreciation	15,30,276	6,97,518	22,27,793
Travel Expenses		-	-
Other Expenditure	-	-	-
Total expenditure	**98,96,436**	**6,97,518**	**1,05,93,954**
Net surplus/(deficit) before Taxation	(37,59,108)	(6,97,518)	(44,56,626)
Income Tax Expenses	-	-	-
SURPLUS/(DEFICIT) For the Year	**(37,59,108)**	**(6,97,518)**	**(44,56,626)**

Notes-

1. Staff expenses previously has been shown in Programe expenses, which has been transfer to Staff cost to reflect the total staff cost of the organization.

2. Depreciation on project fixed assets previously was deducted from capital fund and was not been shown as expenses, which has been changed and booked as expenses as per NAS for NPOs.

3. Difference in Net surplus/deficite before tax has been transfer to unrestricted fund.

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4.21.1 Property, Plant and Equipment

Recognition of Assets transferred from Projects

In accordance with NAS for NPO's' Where property plant and equipment is purchased/received as a part of a project through restricted funds which initially written off as project cost with corresponding income, if on conclusion of the project, the asset is not handed over to the beneficiary or returned to the original donor, the asset is valued on the conclusion of the project with the approval from funding agencies and brought into the financial statements under property plant and equipment with corresponding credit to a Capital Reserve.

Previously, the organization has recognized the assets received from donner for the use in project as project Fixed assets. However, same assets depreciation has not been recognized as expenses in the year, from this year it has been transfer to Core fixed assets since, the project has been completed and fixed assets has its useful life and depreciation has been booked in income & expenses statement.

The organization has only recognized the assets transferred to projects at fair value as of 31 Ashadh 2081 in line with NAS for NPO's creating a equivalent in Capital Funds and eventually transfering to unrestricted fund.

Description	Previously Reported	Reclassification and Remeasurements	NAS for NPO's as at 31 Ashadh 2081	Remarks
Property, Plant and Equipment				
Temporary Structure	4,34,580	-	4,34,580.07	
Furniture and Fittings	1,02,772	55,993	1,58,764	Project asset has been transferred to Core Fixed assets.
Office Equipment	22,697	-	22,697	
Computer & Priner	2,56,674	3,22,251	5,78,926	Project asset has been transferred to Core Fixed assets.
Other Lab Equipment	78,42,633	32,38,140	1,10,80,773	Project asset has been transferred to Core Fixed assets.
Total	**86,59,356**	**36,16,384**	**1,22,75,740**	

4.21.2 Classification of Funds

Phutung Research institute has not change its policy regarding classification of fund between restricted and unrestricted fund while adopting NAS for NPOs as the existing policy of the organization is in line with the NAS. Phutung Research institute has booked capital reserved equal to the value of PPE transferred from the porject. However, it has been re-classified and transfer to unrestricted fund after adopoting NAS for NPOs.

The adoption of this policy was applied retrospectively from Shrawan 1, 2081. Following adjustments were made in the figures of 31 Ashadh 2081 to reclassify funds in accordance to NAS for NPOs.

Description	Previously Reported	Reclassification and Remeasurements	NAS for NPO's as at 31 Ashadh 2081	Remarks
Funds				
Unrestricted Funds	2,10,06,017	36,16,384	2,46,22,401	
Restricted Funds	-	-	-	
Capital Reserve	36,16,384	(36,16,384)	-	
Total	**2,46,22,401**	**(0)**	**2,46,22,401**	

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Phutung Research Institute
Tarakeshwor - 07, Kathmandu, Nepal
Statement of Accounting Policies and Notes to Financial Statements
For the Year Ended on 32 Ashadh 2082 (16 July 2025)

1. General Information

Development, established under Company Registration Act 2006 section 5(1). It is established on November 2016 and affiliated with Social Welfare Council. Its registered office is in Ward no. Tarkeshwor-07, Nepal as principle place of activities.

The primary objective of Phutung Research Institute is to promote excellence in scientific and technological research within Nepal. As a non-profit entity, it concentrates its efforts on conducting research into scientific, technological, and social innovations specifically aimed at improving livelihoods in developing countries. Its work is formally recognized by the Social Welfare Council of Nepal, which affirms its commitment to social welfare, and it operates with a tax-exempt status to further its mission.

2. Basis of Preparation

2.1 Statement of Compliance

The Statement of Financial Position, Statement of Income & Expenditure, Statement of Changes in Reserves, Statement of Cash Flows together with the Accounting Policies and Notes to the financial statements as at 32 Ashadh 2082 (16 July 2025) and for the year then ended comply with the Nepal Accounting Standards for NPOs (NAS for NPOs) issued by Accounting Standard Board of Nepal.

The Financial Statements were authorized for issue as per decision of the Board or Executive Committee dated 08/06/2082.

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention or at fair value wherever specifically disclosed.

2.3 Functional and presentation currency

The financial statements are presented in Nepali Rupees (NRs.), which is the organization's functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest rupees except when otherwise indicated.

2.4 Changes in Accounting Policies and Disclosures

During the Financial year, Financial statement has been prepared as per the Nepal Accounting Standards for NPOs (NAS for NPOs) issued by Accounting Standard Board of Nepal. Previously it has been prepared as per the Generally Accepted Accounting Policies.

2.5 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the accounting policies. The management 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.

(The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are to be disclosed).

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3. Summary of significant accounting policies

3.1 Property Plant and Equipment

a. Cost and Valuation

an asset, property plant and equipment are carried at cost less any subsequent depreciation. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the Statement of Income & Expenditure as an expense as incurred.

Lease Buildings structure are used for purposes of Phutung Research Institute only and not for income generating purpose and therefore do not fall under the definition of Investment Property.

b. Depreciation

Depreciation is provided for on all Property Plant and Equipment on Diminishing Value Method other than land, in order to write off such amounts less any terminal value over the estimated useful lives of such assets. The annual rates of depreciation currently being used by Institute based on useful life less residual/terminal value are:

Assets	Rate p.a.
Building Structure	5%
Furniture & Fixture	25%
Office Equipment	25%
Vehicles	20%
Other Assets	15%

Donated Assets

assets and crossponding balance in Capital Fund has been transfer. After the completion of the project, project fixed assets has been transfer to Core fixed assets and balance of capital fund has been transfer to unrestricted fund.

3.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost minus any accumulated amortization, except for assets with indefinite useful lives. Internally generated intangible assets are not capitalized; expenditure is therefore reflected in the Statement of Income & Expenditure in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortized over their useful economic life. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Accordingly, straight line amortization over the useful life is carried out.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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3.3 Foreign-currency transactions

Transactions in currencies other than Nepal Rupees are converted into Nepal Rupees at rates which approximate the actual rates at the transaction date. At the reporting date, monetary assets (including securities) and liabilities denominated in foreign currency are converted into Nepal Rupees at the rate of exchange at that date. Realized and unrealized exchange differences are reported in the Statement of Income

3.4 Cash and cash equivalents

Phutung Research Institute considers and classifies cash in hand, amounts due from banks and short-term deposits with an original maturity of three months or less under the category of "Cash and cash equivalents". Bank borrowings that are repayable on demand and form an integral part of the Phutung Research Institute's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash flows.

3.5 Provisions

A provision is recognized in the statement of financial position when Phutung Research Institute has a legal or constructive obligation as a result of a past event, it is probable that an outflow of assets will be required to settle the obligation, and the obligation can be measured reliably.

3.6 Employee Benefits Liabilities

The organization's obligation in respect of the defined future benefit plans is calculated separately for each benefit plans by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of the defined benefit obligations is performed annually.

Gratuity, medical facilities has been provided as per By- Laws.

3.7 Loans and Borrowings and Account Payables

Company has no Loans and Borrowings. Accounts payables are stated at their cost.

3.8 Accounting for the receipt and utilization of Funds/Reserves

Reserves

Reserves are classified as either restricted or unrestricted reserves.

<u>a. Unrestricted Reserves/Funds/accumulated surplus</u>

Unrestricted funds are those that are available for use by Phutung Research Institute at the discretion of the Board, in furtherance of the general objectives of Phutung Research Institute and which are not designated for any specific purpose.

Contributions received from the general public are recognized in the Statement of Income and Expenditure on a cash basis.

<u>b. Designated Reserves/Funds</u>

Unrestricted funds designated by the Board to a specific purpose are identified as designated funds. The activities for which these funds may be used are identified in the financial statements.

Where grants are received for use in an identified project or activity, such funds are held in a restricted fund account and transferred to the Statement of Income & Expenditure to match with expenses incurred in respect of that identified project. Unutilized funds are held in their respective Fund accounts and included under accumulated fund in the Statement of Financial Position until such time as they are required.

Funds collected through a fund raising activity for any specific or defined purpose are also included under this category.

Where approved grant expenditure exceeds the income received and there is certainty that the balance will be received such amount is recognized through Account Receivables in the Statement of Financial Position.

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c. Restricted Fund

The activities for which these restricted funds may and are being used are identified in the notes to the financial statements Restricted Reserves/Funds. Such restricted fund may include conditions for refund should there be balance of fund at the end of the project.

d. Endowment Reserves/Funds

Where assets are received as an endowment, which are not exhausted, only the income earned from such assets may be recognized and used as income.

e. Investment Income and other gains realized from funds available under each of the above categories are allocated to the appropriate funds, unless the relevant agreement or minute provides otherwise. Where such income can be used for general purpose, same shall be treated as income in the Statement of Income & expenditure.

3.9 Grants and Subsidies

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognized as deferred income necessary to match it with the costs over the accounting years, which is intended to compensate for on a systematic basis.
Grants and subsidies in the form of P P E (fixed assets) are generally shown as deferred income in the Statement of Financial Position and credited to the Statement of Income & Expenditure over the useful life of the asset by the amount of depreciation with corresponding debit to deferred income over more than one accounting period.
In the case of grants received to fund an entire project or activity, which includes the purchase of an asset, and the cost of such asset is charged with the project costs to the Statement of Financial Performance, the grant value is recognized as income in the same period as the cost of the asset is charged to the Statement of Income & Expenditure.
Where Propery Plant and Equipment is purchased as a part of the project through restricted funds which initially written off as project cost with corresponding income if on conclusion of the project, if the asset is not handed over to the beneficiary or returned to the original donor , the asset is valued at Fair value and brought into financial statements under Property Plant and Equipment with corresponding Credit to deferred income.The depreciation provided on such assets will be provided will be charged against such deferred income.For the purpose of depreciation, the date of valuation for inclusion in the financial statements is

3.10 Income recognition

a. Contributions/Incoming Sources

Income realized from restricted funds is recognized in the Statement of Income & Expenditure only when there is certainty that all of the conditions for receipt of the funds have been complied with and the relevant expenditure that it is expected to compensate has been incurred and charged to the Statement of Income & Expenditure. Unutilized funds are carried forward as such in the Statement of Financial Position.
beneficiaries, or if received for resale with proceeds being used for the purpose of Phutung Research Institute at the point of such sale. Items not sold or distributed are inventoried but not recognized in the financial statements.
and the amount can be quantified. This would include income receivable through fund raising activities and donations.

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b. Financial Income

Interest earned is recognized on an accrual basis when there is certainty of receipt. Dividend received is recognized when the right to receive dividend is established.

Revenues earned on services rendered are recognized in the accounting period in which the services were rendered and accepted by the clients.

Net gains and losses on the disposal of property, plant and equipment and other non-current assets, including investments, are recognized in the Statement of Income & Expenditure after deducting from the proceeds on disposal, the carrying value of the item disposed of and any related selling expenses.

c. Other income is recognized on an accrual basis except otherwise categorically explained to be on cash

3.11 Expenditure recognition

Expenses in carrying out the projects and other activities of Phutung Research Institute are recognized in the Statement of Income & Expenditure during the period in which they are incurred. Other expenses incurred in administering and running Phutung Research Institute and in restoring and maintaining the property plant and equipment to perform at expected levels are accounted for on an accrual basis and charged to the Statement of Income & Expenditure.

3.12 Taxation

a. Current Taxes

Phutung Research Institute is exempted from income tax under the laws of Income Tax Act, 2058. Accordingly, income tax provision has not been recognized in the financial statements.

b. Deferred Taxes

Phutung Research Institute has got tax exempted status and accordingly no provision for tax has been made.

c. Value added taxes

Value added taxes (VAT) that are payable on services and goods purchased are normally included in the cost of such item.

3.13 Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset, are charged off to Statement of Income & Expenditure as expense. Other borrowing costs are treated as an expense in the period in which it is incurred.

3.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of Phutung Research Institute. It may also be a present obligation that arises from past events but in respect of which an outflow of economic benefit is not probable or which cannot be measured with sufficient reliability. For certain operational claims reported as contingent liabilities, it is not practical to disclose detailed information on their corresponding nature and uncertainties.

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